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Let The VA Loan Program Honor  
Your Service!**

**VA  
PROGRAM  
OVERVIEW**



**American  
Capital  
Corp  
salutes  
our  
Military  
members  
and  
Veterans!**

Courtesy of:  
Ed Eissa  
Mortgage Banker  
858-750-031

[ed@ACCMortgageLoans.com](mailto:ed@ACCMortgageLoans.com)

[www.ACCMortgageloans.com](http://www.ACCMortgageloans.com)



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**Certificate of Eligibility** ; A veteran who doesn't have a certificate can obtain one easily by completing VA Form 26-1880, Request for a Certificate of Eligibility for VA Home Loan Benefits and submitting it to one of the Eligibility Centers with copies of your most recent discharge or separation papers covering active military duty since September 16, 1940, which show active duty dates and type of discharge.

**Eligibility Requirements** ; Veterans who served on active duty and were discharged under conditions other than dishonorable, during World War II and later periods are eligible for VA loan benefits.

### **Who is Eligible for a VA Loan?**

Veterans who served on active duty and were discharged under conditions other than dishonorable, during World War II and later periods are eligible for VA loan benefits. World War II (September 16, 1940 to July 25, 1947), Korean conflict (June 27, 1950 to January 31, 1955), and Vietnam era (August 5, 1964 to May 7, 1975) veterans must have at least 90 days service. Veterans with service only during peacetime periods and active duty military personnel must have had more than 180 days active service. Veterans of enlisted service which began after September 7, 1980, or officers with service beginning after October 16, 1981, must in most cases have served at least 2 years of continuous active duty or the full period (at least 181 days) for which you were ordered or called to active duty and been discharged under conditions other than dishonorable, or have completed at least 181 days of active duty and been discharged under the specific authority of 10 USC 1173 (Hardship), or 10 USC 1171 (Early out), or have been determined to have a compensable service-connected disability; or have been discharged with less than 181 days of service for a service-connected disability. Individuals may also be eligible if they were released from active duty due to an involuntary reduction in force, certain medical conditions, or, in some instances for the convenience of the Government.

If you served on active duty during the Gulf War, you must have completed 2 years of continuous active duty or the full period (at least 90 days) for which you were called or ordered to active duty, and been discharged under conditions other than dishonorable; or completed at least 90 days of active duty and been discharged under the specific authority of 10 USC 1173 (Hardship), or 10 USC 1173 (Early out), or have been determined to have a compensable service-connected disability, or have been discharged with less than 90 days of service for a service-connected disability. Individuals may also be eligible if they were released from active duty due to an involuntary reduction in force, certain medical conditions, or, in some instances, for the convenience of the Government.

If you are now on regular active duty (not active duty for training), you are eligible after having served 181 days (90 days during the Gulf War) unless discharged or separated from a previous qualifying period of active duty service.

If you are not otherwise eligible and you have completed a total of 6 years in the Selected Reserves or National Guard (member of an active unit, attended required weekend drills and 2-week active duty for training) and were discharged with an honorable discharge; or were placed on the retired list; or were transferred to the Standby Reserve or an element of the Ready Reserve other than the Selected Reserve after service characterized as honorable service; or continue to serve in the Selected Reserves. Individuals who completed less than 6 years may be eligible if discharged for a service-connected disability. Eligibility for Selected Reservists expires 09/30/2009.

You may also be determined eligible if you are an unremarried spouse of a veteran who died while in service or from a service connected disability, or are a spouse of a serviceperson missing in action or a prisoner of war.

Eligibility may also be established for certain United States citizens who served in the armed forces of a government allied with the United States in WWII and individuals with service as members in certain organizations, such as Public Health Service officers, cadets at the United States Military, Air Force, or Coast Guard Academy, midshipmen at the United States Naval Academy, officers of National Oceanic & Atmospheric Administration, merchant seaman with WW II service, and others.

Wartime	Peacetime
World War II 9/16/1940-7/25/1947	Post World War II period 07/26/1947-6/26/1950
Korean conflict 6/27/1950-1/31/1955	Post Korean period 2/1/1955-8/4/1964
Vietnam Era 8/5/1964-5/7/1975 (The Vietnam Era begins 2/28/1961 for those individuals who served in the Republic of Vietnam)	Post Vietnam period 5/8/1975-8/1/1990
Persian Gulf War 8/2/1990 – date to be determined	

ERA	Dates	Minimum Service
WW II	09/16/40-07/25/47	90 days
Post WW II	07/26/47-06/26/50	181 days
Korean	06/27/50-01/31/55	90 days
Post-Korean	02/01/55-08/04/64	181 days
Vietnam	08/05/64-05/07/75  Note: The Vietnam Era began 2/28/61 for those individuals who served in the Republic of Vietnam.	90 days
Post-Vietnam	05/08/75-09/07/80 05/08/75-10/16/81 09/08/80-08/01/90 10/17/81-08/01/90	Enlisted - 181 days Officers – 181 days Enlisted – 2 years** Officers – 2 years**
Gulf War	08/02/90 – present	2 years **  **Note: The veteran must have served 2 years or the full period which called or ordered to active duty (at least 90 days during wartime and 181 during peacetime).

Reminder: This table provides a quick reference to some of the most commonly eligible veterans. This table is not exhaustive. A veteran's eligibility for home loan benefits may only be determined by VA.

**Eligibility Questions** ; Answers to most commonly asked questions about VA loan eligibility.

## **VA Loan Eligibility**

### **How do I apply for a VA guaranteed loan?**

You can apply for a VA loan at any mortgage company that participates in the VA home loan program. At some point, you will need to get a Certificate of Eligibility from VA to prove to the mortgage company that you are eligible for a VA loan.

### **How do I get a Certificate of Eligibility?**

To get a Certificate of Eligibility, you need to submit form 26-1880, Request for Determination of Eligibility and Available Loan Guaranty Entitlement. A copy of the form can be obtained by calling 800-827-1000. Send it to any VA Regional Office. You must include a copy of your DD-214 with the form 26-1880. If you are on active duty, you must submit a statement of service signed by, or by direction of, the adjutant, personnel officer, or commander of your unit or higher headquarters showing date of entry on your current active duty period and the duration of any time lost.

### **I have already received one VA loan. Can I get another one?**

Yes, depending on the circumstances. If you have paid off your prior VA loan and disposed of the property, you can have your entitlement restored for additional use. To obtain restoration of entitlement, you must send VA a completed VA Form 26-1880, along with evidence that the property has been disposed of and the loan repaid in full. This evidence can be in the form of a payoff statement from the former mortgage company, or a copy of the HUD-1 settlement statement completed in connection with the sale of the property. The application can be presented to any VA Regional Office. A veteran can also obtain restoration of entitlement, on a one time basis, if the prior VA loan has been paid in full but the property has not been sold.

I have sold the property I obtained with my prior VA loan on an assumption. Why can't I get my entitlement restored to purchase a new home?

In this case your entitlement can be restored only if the assumer is also an eligible veteran who is willing to substitute his or her entitlement for that of your original entitlement. Otherwise, you cannot have entitlement restored until the assumer has paid off the VA loan.

My prior VA loan was assumed, the assumer defaulted on the loan, and VA paid a claim to the mortgage company. VA said it wasn't my fault and waived the debt. Now I need a new VA loan but am told that I am not eligible. Why not? or My prior loan was foreclosed on, or I gave a Deed in Lieu of Foreclosure, or VA paid a compromise claim. I was released from liability on the loan and/or the debt was waived. Can I get another VA loan?

Although your debt was waived by VA, the Government has still suffered a loss on the loan. The law does not permit your entitlement to be restored until the loss has been repaid in full.

**Financing Benefits** ; Million veterans and service personnel are eligible for VA financing. Even though many veterans have already used their loan benefits, it may be possible for them to buy homes again with VA financing using remaining or restored loan entitlement.

Even though many veterans have already used their loan benefits, it may be possible for them to buy homes again with VA financing using remaining or restored loan entitlement.

Before arranging for a new mortgage to finance a home purchase, veterans should consider some of the advantages of VA home loans:

Most important consideration, no down payment is required in most cases.

Loan maximum may be up to 100 percent of the VA-established reasonable value of the property. Due to secondary market requirements, however, loans generally may not exceed \$417,000.

- Flexibility of negotiating interest rates with the lender.
- No monthly mortgage insurance premium to pay.
- Limitation on buyer's closing costs.
- An appraisal which informs the buyer of property value.
- Thirty year loan term.

For most loans for new houses, construction is inspected at appropriate stages to ensure compliance with the approved plans, and a 1-year warranty is required from the builder that the house is built in conformity with the approved plans and specifications. In those cases where the builder provides an acceptable 10-year warranty plan, only a final inspection may be required.

- An assumable mortgage, subject to VA approval of the assumer's credit.
- Right to prepay loan without penalty.

VA performs personal loan servicing and offers financial counseling to help veterans avoid losing their homes during temporary financial difficulties.

**Obtaining a VA Loan** ; The CRV (certificate of reasonable value) is based on an appraiser's estimate of the value of the property to be purchased.

### **VA Appraisal – Certificate of Reasonable Value**

The CRV (certificate of reasonable value) is based on an appraiser's estimate of the value of the property to be purchased. Because the loan amount may not exceed the CRV, the first step in getting a VA loan is usually to request an appraisal. Anyone (buyer, seller, real estate personnel or lender) can request a VA appraisal by completing VA Form 26-1805, Request for Determination of Reasonable Value. After completing the form, it can either be mailed to the Loan Guaranty Division at the nearest VA office for processing or an appraisal can be requested by telephoning the Loan Guaranty Division for assignment of an appraiser. The local VA office may be contacted for information concerning its assignment procedures. The appraiser will send a bill for his or her services to the requester according to a fee schedule approved by VA. To simplify things, VA and HUD/FHA (Department of Housing and Urban Development/Federal Housing Administration) use the same appraisal forms. Also, if the property was recently appraised under the HUD procedure, under certain limited circumstances, the HUD conditional commitment can be converted to a VA CRV. The local VA office can explain how this is done.

It is important to recognize that while the VA appraisal estimates the value of the property, it is not an inspection and does not guarantee that the house is free of defects. You should carefully inspect the property or hire a reputable inspection firm to help in this area. VA guarantees the loan, not the condition of the property.

### **Application**

The application process for VA financing is no different from any other type of loan. In fact, the VA application form is the same as that used for HUD/FHA and conventional loans. The mortgage lender verifies your income and assets, and obtains a credit report to see that other obligations are being paid on time. If all is well and the appraised value of the property is enough to cover the loan needed, the lender, in most instances, can then close the loan under VA's automatic procedure. Only about 10 percent of VA loan applications have to be submitted to a VA office for approval before closing.

**VA Loan Costs** ; A basic funding fee of 2.0 percent must be paid to VA by all but certain exempt veterans. A down payment of 5 percent or more will reduce the fee to 1.5 percent and a 10 percent down payment will reduce it to 1.25 percent.

**Restoration of Entitlement** ; Veterans who had a VA loan before may still have “remaining entitlement” to use for another VA loan.

Veterans who had a VA loan before may still have “remaining entitlement” to use for another VA loan. The current amount of entitlement available to each eligible veteran is \$36,000. This was much lower in years past and has been increased over time by changes in the law. For example, a veteran who obtained a \$25,000 loan in 1974 would have used \$12,500 guaranty entitlement, the maximum then available. Even if that loan is not paid off, the veteran could use the \$23,500 difference between the \$12,500 entitlement originally used and the current maximum of \$36,000 to buy another home with VA financing. An additional \$68,250, up to a maximum entitlement of \$104,250 is available for loans above \$144,000 to purchase or construct a home.

Most lenders require that a combination of the guaranty entitlement and any cash down payment must equal at least 25 percent of the reasonable value or sales price of the property, whichever is less. Thus, in the example, the veteran’s \$23,500 remaining entitlement would probably meet a lender’s minimum guaranty requirement for a no down payment loan to buy a property valued at and selling for \$94,000. The veteran could also combine a down payment with the remaining entitlement for a larger loan amount.

Veterans can have previously-used entitlement “restored” to purchase another home with a VA loan if: The property purchased with the prior VA loan has been sold and the loan paid in full, or a qualified veteran-transferee (buyer) agrees to assume the VA loan and substitute his or her entitlement for the same amount of entitlement originally used by the veteran seller. Remaining entitlement and restoration of entitlement can be requested through the nearest VA office by completing VA Form 26-1880. The entitlement may also be restored one time only if the veteran has repaid the prior VA loan in full but has not disposed of the property purchased with the prior VA loan.

Loan Amount	Maximum Potential Guaranty	Special Provisions
Up to \$45,000	50% of the loan amount	Minimum guaranty of 25% on IRRRLs
\$45,001 to \$56,250	\$22,500	Minimum guaranty of 25% on IRRRLs
\$56,251 to \$144,000	40% of the loan amount with maximum of \$36,000	Minimum guaranty of 25% on IRRRLs
\$144,001 to \$417,000	25% of the loan amount	Minimum guaranty of 25% on IRRRLs
Greater than \$417,000	The lesser of: <ul style="list-style-type: none"> <li>• 25% of the VA County Loan Limit, or</li> <li>• 25% of the loan amount</li> </ul>	Minimum guaranty of 25% on IRRRLs



**VA Loan Questions & Answers** ; Answers to most commonly asked questions about VA loans.

**Can I get a VA loan if I had a bankruptcy in the last few years?**

VA credit standards state that a veteran with a bankruptcy less than 3 years ago would generally not be considered a satisfactory credit risk unless: the veteran or spouse has obtained items on credit since the bankruptcy and has paid the obligations in a satisfactory manner for a continued period; and the bankruptcy was caused by circumstances beyond the control of the borrower, which would have to be verified. A bankruptcy discharged 3 to 5 years ago must be given some consideration in the underwriting of the loan. A bankruptcy discharged more than 5 years ago may be disregarded. These are the minimum standards that mortgage companies must follow when making a VA loan. In 95% of the cases, companies make the decision to approve a loan without VA's prior approval. Keep in mind that mortgage companies also have money at risk in giving you a VA loan, so they may have stricter credit standards than those mandated by VA.

**How large of a loan can I get? If my guaranty entitlement is \$36000.00, does this mean I am limited to a \$36000.00 loan?**

VA guaranteed loans are made by private lenders, such as banks, savings & loans or mortgage companies to eligible veterans for the purchase of a home which must be for their own personal occupancy. To get a loan, a veteran must apply to a lender. If the loan is approved, VA will guarantee a portion of it to the lender. This guaranty protects the lender against loss up to the amount guaranteed and allows a veteran to obtain favorable financing terms. There is no maximum VA loan but lenders will generally limit VA loans to \$417,000. This is because lenders sell VA loans in the secondary market, which currently places a \$417,000 limit on the loans. For loans up to this amount, it is usually possible for qualified veterans to obtain no down payment financing. A veteran's basic entitlement is \$36,000 (or up to \$104,250 for certain loans over \$144,000). Lenders will generally loan up to 4 times a veteran's available entitlement without a down payment, provided the veteran is income and credit qualified and the property appraises for the asking price.

**Why do I have to pay a fee for a VA home loan? Since I paid a fee for my first loan, why is there a larger fee for my second loan?**

The VA funding fee is required by law. The fee, currently 2.15 percent on no down payment loans, 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 percent. 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. All second time users who make a down payment of at least 5 percent pay a reduced funding fee of 1.5 percent,

which is the same percentage as first time users making the same down payment. For a 10 percent down payment, the fee drops to 1.25 percent. The effect of the funding fee on a veteran's financial situation is minimized since the fee may be financed in the loan.

**May a veteran join with a non-veteran who is not his or her spouse in obtaining a VA loan?**

Yes, but the guaranty is based only on the veteran's portion of the loan. The guaranty cannot cover the non- veteran's part of the loan. Consult mortgage companies to determine whether they would be willing to accept applications for joint loans of this type. Mortgage companies that are willing to make these types of loans will likely require a down payment to cover risk on the non- guaranteed, non- veteran's portion of the loan. Unlike other loans, the mortgage company must submit joint loans to VA for approval before they are made. Both incomes can be used to qualify for the loan. However, the veteran's income must be sufficient to repay at least that portion of the loan related to the veteran's interest in (portion of) the property and the non- veteran's income adequate to cover the rest.

**FUNDING FEE TABLE**

	First Time Use		Subsequent Use	
	Veteran	Reservist/NG	Veteran	Reservist/NG
*Cash-Out Refinance	2.15%	2.40%	3.30%	3.30%
0% Down Payment	2.15%	2.40%	3.30%	3.30%
5-9.99% Down Payment	1.50%	1.75%	1.50%	1.75%
10+% Down Payment	1.25%	1.50%	1.25%	1.50%
IRRRLs	0.5%	0.5%	0.5%	0.5%