



what's a  
**mortgage**

# **VETERANS AFFAIRS** LOAN GUIDE

Your quick start  
guide to learning  
about VA home loans.

## **PRIVACY POLICY**

Certain pages of this mortgage guide summary provides approximations for informational purposes only and is not intended to provide financial, legal, or tax advice. All summaries are hypothetical for illustration purposes and do not constitute an offer to lend. Contact a licensed mortgage professional for an official loan quote for your individual financial scenario. We do not guarantee the accuracy or applicability of the summary to your individual circumstances. Your use of the mortgage guide does not impose any legal obligations or responsibility on WHAT'S A MORTGAGE. The summary should not be relied on as the only source of information for making financial decisions. Consult a qualified financial advisor before making important personal financial decisions.

# So what exactly is a VA Loan?

A VA loan is a \$0 down payment mortgage option available to veterans, service members, and select military spouses. It is issued by private lenders and guaranteed by the U.S. Department of Veterans Affairs. A VA loan is considered one of the last 0% down home loans available on the market today. Since a VA loan is government-backed, banks do not require you to buy Private Mortgage Insurance. The VA guarantee gives lenders a greater degree of safety and flexibility, which typically means a more competitive rate than non-VA loans. Because the loan is backed by the government, banks assume less risk and have less stringent qualification standards for VA loans, making them easier to obtain.

## VA Home Loan Benefits

LOW COMPETITIVE  
INTEREST RATES

NO PRIVATE  
MORTGAGE INSURANCE

EASIER QUALIFYING  
STANDARDS

LIMITED  
CLOSING COSTS

NO DOWN  
PAYMENT REQUIRED

<https://www.benefits.va.gov/homeloans/>

  @VABenefits





Your length of service or service commitment, duty status and character of service determines your eligibility for specific home loan benefits.

After establishing that you are eligible, you will need a Certificate of Eligibility (COE). The COE verifies to the lender that you are eligible for a VA-backed loan.

The evidence you need depends on the nature of your eligibility. Consult the table on the following page to determine your category and the evidence you will need when applying (<http://www.ebenefits.va.gov/>).



#### Military Identity

- You have served 90 consecutive days of active service during wartime
- You have served 181 days of active service during peacetime
- You have more than 6 years of service in the National Guard or Reserves,
- You are the spouse of a service member who has died in the line of duty or as a result of a service-related disability
- DD214 Form



#### Property Identity

- New or previously-occupied home purchase
- New home construction or rehab
- Purchase of a single-family home or multiple units
- Townhouse
- Condominium: VA approved projects only (<https://lgy.va.gov/lgyhub/condo-report>)
- **If you are using rental income from units, you must use a property management company, or be a landlord for 2 years to use the rental income to help you qualify**



#### Occupancy

- Owner occupied only. Must occupy within 60 days of closing
- Spouse or dependant of military member may occupy the home on their behalf (the presence of the dependent in the home does not fill the occupancy requirement without additional action taken by a legal guardian, attorney or attorney-in-fact)



#### Co-Signer

- 2 veterans who are eligible can co-sign with each other to buy a property
- Only a spouse can be a co-signer on a VA mortgage



# VA LOAN ENTITLEMENT

Veterans who are eligible for a VA loan have VA loan entitlement, which is basically a dollar amount the VA promises to repay back to a lender in the event you default on your mortgage.

VA loan entitlement is the dollar amount the Department of Veterans Affairs will guarantee on each VA home loan and helps determine how much a veteran can borrow before needing a down payment. VA loan entitlement is typically either \$36,000 or 25% of the loan amount up to the conforming loan limit.

## Two VA Loan Entitlement Types

There are two VA loan entitlement types: basic and secondary entitlement; with basic, or primary, entitlement being \$36,000.

Typically the VA pledges to repay up to 25 percent of the loan amount. However, if we do the math, it's easy to see that  $\$36,000 \times 4 = \$144,000$ .

That would seem to be the maximum loan amount for most borrowers and likely isn't enough to purchase a good-size home in most parts of the country.

So, to stay competitive and ensure veterans across the country have access to homeownership, the VA started to link its guaranty amounts with the conforming loan limit for conventional financing, which is currently \$510,400, thereby creating a second layer of entitlement.

## How is VA Loan Entitlement Calculated?

Remember, the VA promises to cover a quarter of the loan amount in most cases.

A quarter of \$510,400 is \$127,600. In order to meet that mark, the VA essentially created a secondary entitlement amount ( $\$127,600 - \$36,000 = \$91,600$ ). That additional layer of entitlement comes into play anytime a veteran purchases a home for more than \$144,000.



**HOT TIP**

If you're trying to build your VA real estate portfolio. Consider purchasing your first home with your VA benefits. Live in it for a couple years and then refi into a conventional loan. Once you refinance, your VA benefits will reset and you can use those benefits to purchase another home. Converting your previous home into an investment, and as you maintain your 1 year residence in your second home, you can build up more equity with the rental income from your previous home.

Category	Evidence to Apply
Veteran	DD Form 214 - required to have a copy showing the character of service (item 24) and the narrative reason for separation (item 28).
Current or former National Guard or Reserve member who has been activated Federal active service	
Active Duty Servicemember	<p>A current statement of service:</p> <ul style="list-style-type: none"> <li>signed by (or by the direction of): the adjutant, personnel office, or commander of the unit or higher headquarters</li> </ul> <p>showing:</p> <ul style="list-style-type: none"> <li>Your full name</li> <li>Social Security Number</li> <li>Date of birth</li> <li>Entry date on active duty</li> <li>The duration of any lost time</li> <li>The name of the command providing the information</li> </ul>
Current National Guard or Reserve member who has never been Federal active service	<p>Statement of service:</p> <ul style="list-style-type: none"> <li>signed by (or by the direction of): the adjutant, personnel officer or commander of your unit or higher headquarters</li> </ul> <p>Showing:</p> <ul style="list-style-type: none"> <li>Your full name</li> <li>Social Security Number</li> <li>Date of birth</li> <li>Entry date on duty</li> <li>The total number of creditable years of service</li> <li>The duration of any lost time</li> <li>The name of the command providing the information</li> </ul>
Discharged member of the National Guard who has never been activated for Federal active service	<p>NGB Form 22, Report of Separation and Record of Service, for each period of National Guard service -AND- NGB Form 23, Retirement Points Accounting, and proof of the character of service</p>
Discharged member of the Selected Reserve who has never been activated for Federal active service	Copy of your latest annual retirement points statement and evidence of honorable service
If you are a Surviving Spouse in Receipt of DIC (Dependency & Indemnity Compensation) benefits	<p>Submit VA form 26-1817 and veteran's DD214 ( if available) (<a href="http://www.vba.va.gov/pubs/forms/VBA-26-1817-ARE.pdf">http://www.vba.va.gov/pubs/forms/VBA-26-1817-ARE.pdf</a>) Include veteran's and surviving spouse's social security number on the 26-1817 form</p>
If you are a Surviving Spouse and are not receiving DIC (Dependency & Indemnity Compensation) benefits	<p>Submit the following to the appropriate Compensation and Pension office:</p> <ul style="list-style-type: none"> <li>VA form 21P-534-ARE (<a href="http://www.vba.va.gov/pubs/forms/VBA-21P-534-ARE.pdf">http://www.vba.va.gov/pubs/forms/VBA-21P-534-ARE.pdf</a>)</li> <li>DD214 (if available)</li> <li>Marriage License</li> <li>Death Certificate or DD Form 1300 – Report of Casualty</li> <li>Please find the mailing address for your state to send the VA 21-534 on the following link. PMC States</li> </ul>

# DD214 FORM

Your DD Form 214 is your proof of military service. It shows the nature of your discharge, dates of service, and current classification (retired, separated, Guard or Reserve status).

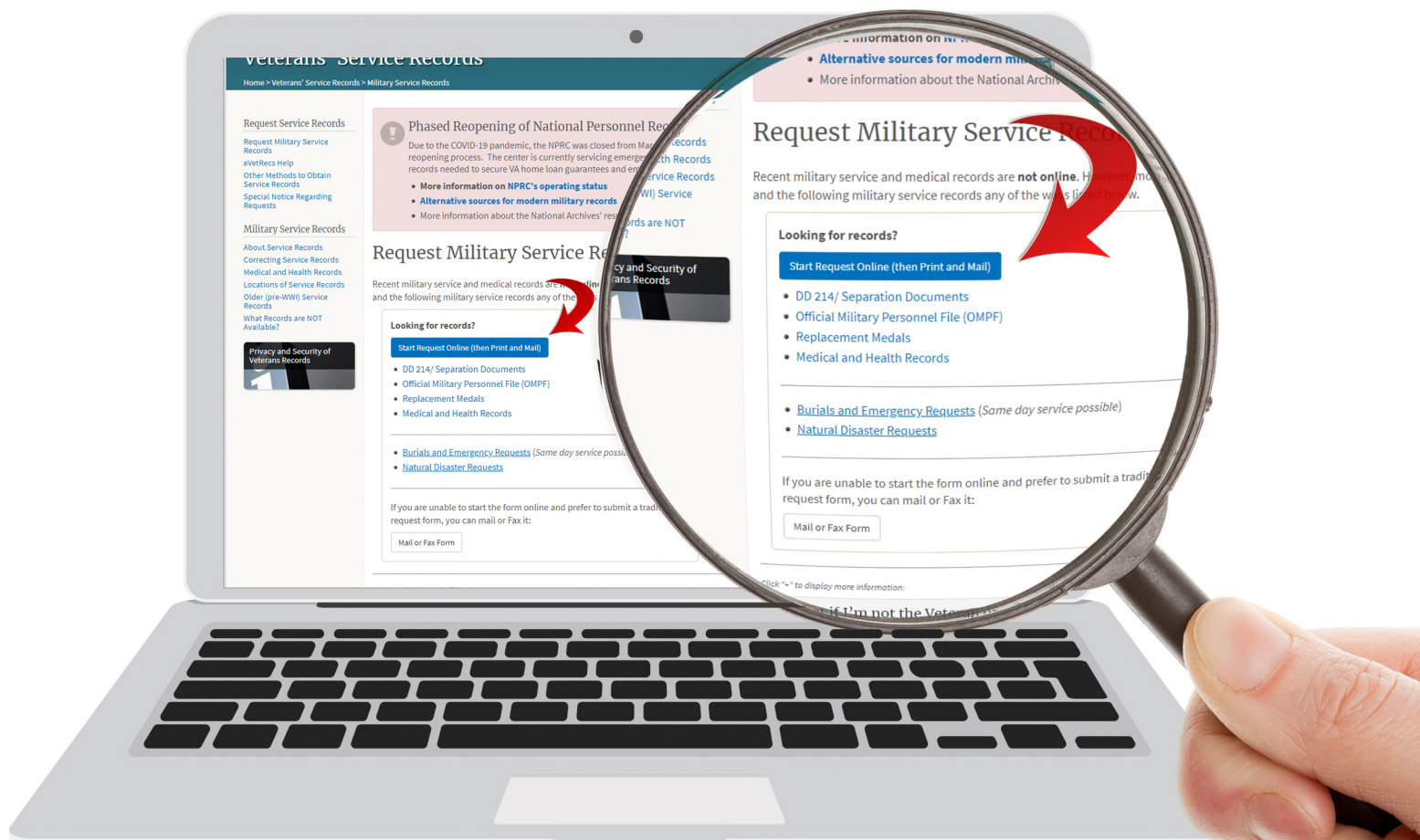
When military members out-process as part of retirement or separation, getting the DD214 is one of the last things to happen after the briefings, equipment turn-in, and other clearances required as part of the "final out." The DD 214 is one of the important documents you'll get from that final out-processing appointment. You need it to claim most, if not all, of your military benefits including VA loans, the GI Bill and medical services provided by the VA.

Some people misplace their DD214 for one reason or another. The stress of relocating from an overseas assignment back to civilian life is one common cause, but no matter what the reason for your misplaced DD Form 214, it's important to get a replacement as soon as possible.

## WHERE CAN YOU GET A REPLACEMENT

You can request a FREE copy of your DD Form 214 simply by visiting the official United States Government site and filling out an online form.

URL: <http://www.archives.gov/veterans/military-service-records/>



# OTHER TYPES OF ELIGIBILITY

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
- You are a spouse of a servicemember missing in action or a prisoner of war
- You are a surviving spouse in receipt of Dependency and Indemnity Compensation (DIC) benefits in cases where the Veteran's death was not service-connected

## **Spouses**

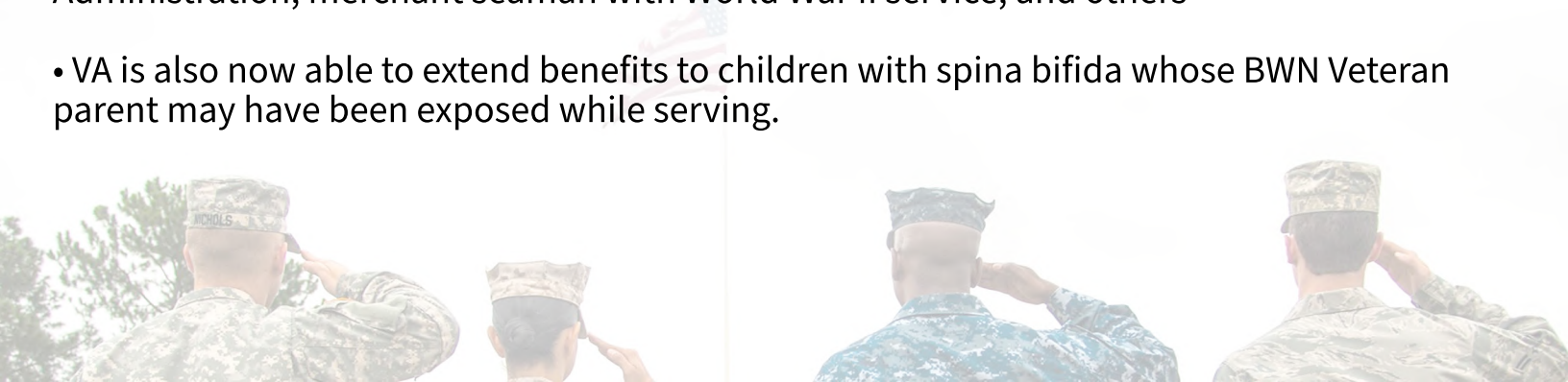
The spouse of a veteran can also apply for home loan eligibility under one of the following conditions:

- Unremarried spouse of a veteran who died while in service or from a service-connected disability, or
- The spouse of a servicemember missing in action or a prisoner of war
- Surviving spouse who remarries on or after attaining age 57 and on or after December 16, 2003 (Note: a surviving spouse who remarried before December 16, 2003, and on or after attaining age 57, must have applied no later than December 15, 2004, to establish home loan eligibility. VA must deny applications from surviving spouses who remarried before December 6, 2003 that are received after December 15, 2004.)
- Surviving spouses of certain totally disabled veterans whose disability may not have been the cause of death

## **Other Eligible Beneficiaries**

You may also apply for eligibility if you fall into one of the following categories:

- Certain U.S. citizens who served in the armed forces of a government allied with the United States in World War II
- 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 World War II service, and others
- VA is also now able to extend benefits to children with spina bifida whose BWN Veteran parent may have been exposed while serving.







## KEY 2: CREDIT



The three main credit bureaus – Equifax, Experian, and TransUnion – create your credit reports, which scoring models like VantageScore and FICO use, to come up with a score that typically ranges from 300-850.

The credit bureaus can also calculate scores for you based on their own proprietary models.

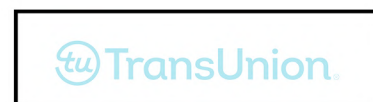
Your scores are typically based on how often you make payments on time and how many accounts you have in good standing. Out of the three credit scores, the bank picks the middle of the three to determine whether or not to approve your home loan. Additionally, the lowest middle score for all applicants on the loan is selected.

Your score will never factor in personal information like race, gender, religion, marital status, or national origin. If you need help with credit repair, we can help. Email us at [info@whatsamortgage.com](mailto:info@whatsamortgage.com).

If your credit score is at 580 or higher (620 Preferred/660 for manufactured homes), and you haven't fallen into any other credit predicaments, you are ready for a VA Loan!

Credit Score	Interest Rate
580-600	Bad Rates
600-620	Ok Rates
620+	Best Rates

If you know your scores, write them in here for easy reference.



# VA Public Records

These are public records that are on your credit report and the limitations of the time frame from your last bankruptcy (BK)/short sale (SS)/foreclosure. If you've ever had any type of bankruptcy, it will be seen in the public record matrix.

If you have tax liens, judgements, child support. there's no time sensitivity, as long as you have payments set up you can still qualify to buy no matter the program.

CHAPTER 7	CHAPTER 11	CHAPTER 13	SHORT SALES	FORECLOSURES	REPOS/ EVICTIONS
2+	2+	OK	3+	3+	2+

All numbers are depicted in years.

**Chapter 7** - This chapter of the Bankruptcy Code provides for "liquidation" - the sale of a debtor's nonexempt property and the distribution of the proceeds to creditors.

**Chapter 11** - This chapter of the Bankruptcy Code generally provides for reorganization, usually involving a corporation or partnership. A chapter 11 debtor usually proposes a plan of reorganization to keep its business alive and pay creditorsover time. People in business or individuals can also seek relief in chapter 11.

**Chapter 13** - This chapter of the Bankruptcy Code provides for adjustment of debts of an individual with regular income.

Chapter 13 allows a debtor to keep property and pay debts over time, usually three to five years.

**Short Sales** - A short sale is the sale of a real estate property for which the lender is willing to accept less than the amount still owed on the mortgage.

For a sale to be considered a short sale, these two things must be true:

- The homeowner must be so far behind on payments that they can't catch up.
- The housing market must have gone down so much that the house is worth less than the remaining balance on the mortgage.

In most cases, the lender (and the homeowner) will try a short sale process in order to avoid foreclosure.

**Foreclosures** - Foreclosure is the legal process by which a lender attempts to recover the amount owed on a defaulted loan by taking ownership of and selling the mortgaged property. Typically, default is triggered when a borrower misses a specific number of monthly payments, but it can also happen when the borrower fails to meet other terms in the mortgage document.

**Repos** - Also known as a repurchase agreement, a repo is a form of short-term borrowing for dealers in government securities. In the case of a repo, a dealer sells government securities to investors, usually on an overnight basis, and buys them back the following day at a slightly higher price

# VA Liability Tradelines

Tradelines are your credit accounts which are reported to the credit reporting agencies. Each tradeline contains detailed information about the account. There are 4 tradelines which banks examine to determine your behavior patterns of how you pay back debt. The 5th "N/A" line below is not looked at by banks.

## LIABILITY TRADELINE MATRIX

REVOLVING	INSTALLMENT	MORTGAGE	DELINQUENT	N/A
CREDIT CARD	CAR LEASE	TRADITIONAL	DELINQUENT	UTILITIES
DEPARTMENT STORES: MACY'S SEARS	CAR PURCHASE	HELOC	COLLECTIONS	CELL PHONE
FURNITURE STORES: LIVING SPACES	JEWELRY		TAX LIENS	CAR INSURANCE
BANK CREDIT: BANK OF AMERICA WELLS FARGO	ELECTRONICS/ APPLIANCES		CHILD SUPPORT	HEALTH INSURANCE
OTHER: CAPITAL ONE MASTER CARD TARGET	STUDENT LOANS		JUDGEMENT	MEDICAL COLLECTION
			LIENS	

- Revolving** - Revolving debt is the debt you've accrued from those various revolving credit lines. The two most common types of revolving debt are credit cards and lines of credit, like home equity lines of credit. With revolving debt, payments are not a set amount each month, but change based on your balance plus interest charges.
- Installment** - An installment debt is a loan that is repaid by the borrower in regular installments. An installment debt is generally repaid in equal monthly payments that include interest and a portion of the principal.
- Mortgage** - A mortgage is a debt instrument, secured by the collateral of specified real estate property, that the borrower is obliged to pay back with a predetermined set of payments.
- Delinquent** - A debt becomes delinquent when a payment is not made by the due date or the end of the "grace period" as established in a loan or repayment agreement, in the case of a debt being paid in installments.
- N/A** - These debts are not looked at by banks.



### **Any federal defaults?**

If you have defaulted on any federal loan, you cannot get a VA loan. You need to get out of default first.

### **Co signers:**

If the primary borrower defaults on the loan, the co-signer must also be a qualified borrower. This means that only your spouse, or a current or former member of the arm forces.

**If you're married, your spouse must be your cosigner.**

### **Married?**

If you are married, **you must run your spouses credit.** You also need to include all of their monthly liabilities to your DTI (debt to income) even if they will not be a co-signer on the loan

### **Student Loans:**

On your student loans, VA will hit you with .5% or the fully amortize payment

If you have \$100,000 in student loan debt,  $.5\% = \$500$

If you have \$50,000 in student loan debt,  $.5\% = \$250$

If you have \$20,000 in student loan debt,  $.5\% = \$100$



# KEY 3: INCOME

VA lenders can use income from a variety of sources but each must meet a minimum set of requirements. The first requirement is that the income must be verified as full time and in VA lender world, full time means working at least 40 hours per week for your employer. If you're self-employed, qualified income will be taken from your most recent federal income tax returns. Self-employment income must have a minimum two year history with a sustained amount, with self-employment income showing a year over year increase the most desirable.

Part time income may be used but only if there is at least a two-year history of part time work along with the VA lender determining the part time income has a likelihood of continuance. Most other income sources that can be used such as income from interest, dividends, disability, retirement or pension must pass a financial litmus test verifying the receipt of such income for the last two years with an expected continuance of at least another three year.

## **Are There Income Limitations for VA Loans?**

No, the VA does not limit income for qualifying VA loan borrowers. Other government guaranteed mortgage programs can set a maximum income amount to qualify for specific loan programs but the VA has no such requirement.

Regardless if you make \$500,000 per year or \$50,000 per year, VA lenders underwrite your loan in the exact same manner as it addresses debt to income ratios and affordability.

VA loans do have a unique qualifying guideline that establishes what is called "residual income" that VA borrowers must have.

## **Upprossing Fixed Income**

Fixed income, like retirement, can be upgrossed because it's not taxed. That means you can take your total Veteran benefits and upgross them to 115%

Example: If you receive \$1,600/month, you'd really be at  $\$1,600 \times 115\% = \$1,840/\text{month}$

## **What is the GI Bill, and can you use it as income?**

The Post-9/11 GI Bill includes payment of tuition and fees, a monthly housing allowance and a stipend for textbooks and supplies.

Unfortunately, lenders do not view education income as stable, reliable and likely to continue.

Using income from rental units

If you plan on using rental income from units you must use a property management company if you do not have any prior land lord experience (2 year)

**Residual Income**

Residual income is the amount of money left over from all borrower’s paychecks after the mortgage payment, property taxes and insurance, federal and state withholdings and qualifying installment and revolving debt are taken out of the borrower’s gross monthly check.

Qualifying installment and revolving debt include minimum monthly payments toward credit cards, automobile and student loans. Any monthly debt that appears on a borrower’s credit report can be used to count toward required residual income minimums.

Other debt that may not show up on a credit report that may also be counted is monthly spousal and child support payments and day care. Other expenses such as food, utilities and entertainment are not included in the residual income calculation.

Residual income requirements vary based upon such factors as the number of people in the household, the mortgage amount and even the region of the country the property is located. For example, a single borrower in the South must have at least \$441 left over each month while a family of five living in California is required to have at least \$1,158 in residual funds. VA lenders keep a residual income chart for you to review at your request or you can simply ask your VA lender if you meet the VA residual income guidelines.

**Key Geographic Regions for VA Residual Income**

Region	States
Northeast	Connecticut, Maine, Massachusetts New Hampshire, New Jersey, New York, Pennsylvania, Rhode, Island, Vermont
Midwest	Illinois, Indiana, Iowa, Kansas, Michigan, Minnesota, Missouri, Nebraska, North Dakota, Ohio, South Dakota, Wisconsin
South	Alabama, Arkansas, Delaware, DC, Florida, Georgia, Kentucky, Louisiana, Maryland, Mississippi, North Carolina, Oklahoma, Puerto Rico, South Carolina, Tennessee, Texas, Virginia, West Virginia
West	Alaska, Arizona, California, Colorado, Hawaii, Idaho, Montana, Nevada, New Mexico, Oregon, Utah, Washington, Wyoming

**Income Variables**

Income Variable	Calculation
Gross monthly income	= \$5,000
Installment loans (ex: auto & student loans)	-\$800
Revolving loans (ex: credit cards)	-\$100
Child care/child support/alimony	-\$300
Full monthly mortgage payment	-\$1,200
Estimated utility costs	-\$280
Estimated residual income	= \$2,200

To estimate monthly utility costs, VA lenders will multiply the home’s square footage by 0.14  
Ex) 2,000 sq ft home: 2,000 x 0.14 = \$280.

## **Basic allowance for housing and VA loans**

When it comes to your income and purchasing power, active duty military members can often count military allowances as effective income toward getting a mortgage. Probably the single most powerful allowance out there is Basic Allowance for Housing (BAH).

This monthly allowance is for qualified service members stationed in areas where government quarters aren't provided. It's a stipend that helps service members keep up with housing costs if they're living off-post or off-base. There aren't restrictions on BAH that limit service members to renting. You can use this monthly allowance to help you qualify for a VA loan and buy a home.

And your BAH could cover most or even all of your monthly mortgage payment.

Now, to be sure, everybody's situation is different, and homeownership isn't the right fit for every active duty military member. But if you're getting BAH and you're interested in buying a home, it's a pretty incredible opportunity if the pieces come together.

### **Does BAH count for income?**

Yes, because BAH is non-taxable, VA lenders can "gross-up" this income to create what's essentially a pre-tax, or gross, figure for calculating your debt-to-income (DTI) ratio.

# VA Residual Income Chart for Loan Amounts of \$79,999 and Below

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	\$976
5	\$921	\$902	\$902	\$1,004

**Family Size Over 5:** Add \$75 for each additional member up to a family of seven.

## VA Residual Income Chart for Loan Amounts Above \$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

**Family Size Over 5:** Add \$80 for each additional member up to a family of seven.

### **Down payment sourcing (where is your money coming from?):**

For VA loans, you need to be able to source, or prove where, your money is coming from. If you have a deposit you can't source you can back out that particular deposit. For example, if you have 10k in your bank account, and you have 5k deposit you can't prove where it came from), you can just claim 5k. On a conventional loan you would have to back out the whole bank statement.

The exception to this sourcing rule is if the deposit is under 1% of the purchase price.

Ex. 400k purchase price, if your deposit is under \$4,000 then you have to do not have to prove where the deposit came from. If it's over 1% you need to source your deposit.



## KEY 4:

# DEBT TO INCOME (DTI)

To calculate your DTI with the **Front End Ratio** we would take your potential monthly mortgage payment divided by your MONTHLY income.

For example; If you make \$6,000 a month and the potential mortgage payment you're looking at is \$3,000 you would divide 3k by 6k giving you .5. Multiply by 100 and you get a 50% Front End Ratio.

The **Back End Ratio** would be the \$3k potential monthly mortgage plus \$200 of your monthly car payment debt, \$3200 total, divided by your monthly income of 6k. This gives you .53, multiplied by 100 is a 53% Back End ratio.

A simpler way to look at your DTI is to take your monthly income, add in all your monthly bills and liabilities, then add in a desired mortgage payment. Then multiply that by an ideal DTI percentage, to see where you are.

Check out the Ultimate Mortgage Guide to see full details about calculating your DTI.

		+			x		
Monthly Bills/Liabilities			Desired Mortgage Payment			Ideal DTI %	
Annual Household Income	Monthly Household Income		45%	50%		55%	
\$60,000	\$5,000		\$2,250	\$2,500		\$2,750	
\$70,000	\$5,833		\$2,624	\$2,916		\$3,208	
\$80,000	\$6,666		\$2,999	\$3,333		\$3,666	
\$90,000	\$7,500		\$3,375	\$3,750		\$4,125	
\$100,000	\$8,333		\$3,749	\$4,166		\$4,583	
\$110,000	\$9,166		\$4,124	\$4,583		\$5,041	
\$120,000	\$10,000		\$4,500	\$5,000		\$5,500	
\$130,000	\$10,833		\$4,874	\$5,416		\$5,958	
\$140,000	\$11,666		\$5,249	\$5,833		\$6,416	
\$150,000	\$12,500		\$5,625	\$6,250		\$6,875	
\$160,000	\$13,333		\$6,000	\$6,667		\$7,333	
\$170,000	\$14,167		\$6,375	\$7,084		\$7,792	
\$180,000	\$15,000		\$6,750	\$7,500		\$8,250	
\$190,000	\$15,833		\$7,125	\$7,917		\$8,708	
\$200,000	\$16,667		\$7,500	\$8,334		\$9,167	

# LOAN LIMITS

A VA home loan limit is the maximum amount of money you can borrow using a VA-backed home loan, without paying a portion of the home's total sale price up front (called a down payment). It's not a cap on the maximum amount you can borrow.

If you qualify for a VA-backed home loan, you'll receive a home loan entitlement. This is the maximum amount we'll guarantee the lender that we'll pay if you default on your loan.

As long as you qualify for a loan based on your income and credit history, and the property's value matches its asking price, your lender will likely agree to loan you up to 4 times the amount of your entitlement without a down payment. This is your loan limit.

You may still be able to borrow more than this amount if you're able and willing to pay a down payment. Most lenders require that your entitlement, down payment, or a combination of both cover at least 25% of your total loan amount.

## What will my loan limit be?

This will depend on your entitlement, and on the location of the property for which you want the loan. Loan limits vary by county because a property's location affects its value.

You may qualify for 2 types of entitlement:

### Basic entitlement:

As your basic entitlement, the VA will guarantee to your lender that we'll pay up to at least \$36,000 or 25% of your loan amount, whichever is less, if you default on your loan. So your loan limit would be  $\$36,000 \times 4 = \$144,000$ .

### Bonus entitlement:

You may want to buy a home that costs more than \$144,000. To help you do this, we offer what's called bonus (or Tier 2) entitlement. To determine your bonus entitlement, we'll look at the Federal Housing Finance Agency's (FHFA's) current national conventional financing confirming limit and your state's county loan limits. We'll guarantee 25% of your loan amount, based on these loan limits.

County	1 Unit	2 Units	3 Units	4 Units
LOS ANGELES CA	\$ 930,300	\$726,525	\$ 1,124,475	\$ 1,397,400
ORANGE CA	\$ 930,300	\$726,525	\$ 1,124,475	\$ 1,397,400
SAN DIEGO CA	\$ 883,300	\$690,000	\$ 1,067,750	\$ 1,326,950
SAN BERNARDINO CA	\$ 620,200	\$484,350	\$ 749,650	\$ 931,600
RIVERSIDE CA	\$ 620,200	\$484,350	\$ 749,650	\$ 931,600

Full US List:

[https://www.fhfa.gov/DataTools/Downloads/Documents/Conforming-Loan-Limits/FullCountyLoanLimitList2019\\_HERA-BASED\\_FINAL\\_FLAT.pdf](https://www.fhfa.gov/DataTools/Downloads/Documents/Conforming-Loan-Limits/FullCountyLoanLimitList2019_HERA-BASED_FINAL_FLAT.pdf)

What if you don't use up all of your entitlement on your loan?

If you have "remaining entitlement", you can use it either on its own, in combination with a down payment, or to take out another home loan in the future.

## Blue Water Navy (BWN) Vietnam Veterans Act of 2019 (PL 116-23)

VA removed the loan limit for Native American Veterans seeking to build or purchase a home on Federal Trust Land.

# VA FUNDING FEE

Generally, all veterans using the VA Home Loan Guaranty benefit must pay a funding fee. This reduces the loan's cost to taxpayers considering that a VA loan requires no down payment and has no monthly mortgage insurance.

The funding fee is a percentage of the loan amount which varies based on the type of loan and your military category, if you are a first-time or subsequent loan user, and whether you make a down payment. You have the option to finance the VA funding fee or pay it in cash, but the funding fee must be paid at closing time.

## Exceptions to VA Funding Fee

While there is a funding fee for a VA home loan, some people are exempt from paying. If you are a veteran getting disability compensation for service-related medical issues, or are entitled to get compensation if you aren't drawing retirement pay, you are exempt from the VA funding fee for your VA home loan.

### You do not have to pay the fee if you are a:

- Veteran receiving VA compensation for a service-connected disability, OR
  - Veteran who would be entitled to receive compensation for a service-connected disability if you did not receive retirement or active duty pay, OR
  - Surviving spouse of a Veteran who died in service or from a service-connected disability
- PL 116-23 The law exempts Purple Heart recipients currently serving on active duty from the VA home loan funding fee.

### Current Funding Fee Chart:

<https://www.va.gov/housing-assistance/home-loans/funding-fee-and-closing-costs/#va-funding-fee-rate-charts>

## HOW TO CALCULATE THE VA FUNDING FEE

90% will fall under the 2.3% funding fee.

<div>Purchase Price</div> <div>400,000</div>	<div>VA Funding Fee</div> <div>+ 2.3%</div> <div>(\$9,200)</div>	<div>New Loan Amount</div> <div>= \$409,200</div>
<div>Purchase Price</div> <div>400,000</div>	<div>VA Funding Fee</div> <div>+ 1.25%</div> <div>(\$5,000)</div>	<div>New Loan Amount</div> <div>= \$405,000</div>
<div>Purchase Price</div> <div>400,000</div>	<div>VA Funding Fee</div> <div>+ 1.65%</div> <div>(\$6,600)</div>	<div>New Loan Amount</div> <div>= \$406,600</div>
<div>Purchase Price</div> <div>400,000</div>	<div>VA Funding Fee</div> <div>+ 1.0%</div> <div>(\$4,000)</div>	<div>New Loan Amount</div> <div>= \$404,000</div>
<div>Purchase Price</div> <div>400,000</div>	<div>VA Funding Fee</div> <div>+ 1.4%</div> <div>(\$5,600)</div>	<div>New Loan Amount</div> <div>= \$405,600</div>
<div>Purchase Price</div> <div>400,000</div>	<div>VA Funding Fee</div> <div>+ .5%</div> <div>(\$2,000)</div>	<div>New Loan Amount</div> <div>= \$402,000</div>

# Calculating Monthly Mortgage Payment

When starting up the calculations for your mortgage payment, you will need two things:

- The current rates (<https://www2.optimalblue.com/obmmi/>)
- The Techy Lender Mortgage Calculator

I will show you the math necessary to get to the final numbers, but a mortgage calculator makes things much easier, with far less chance for error.

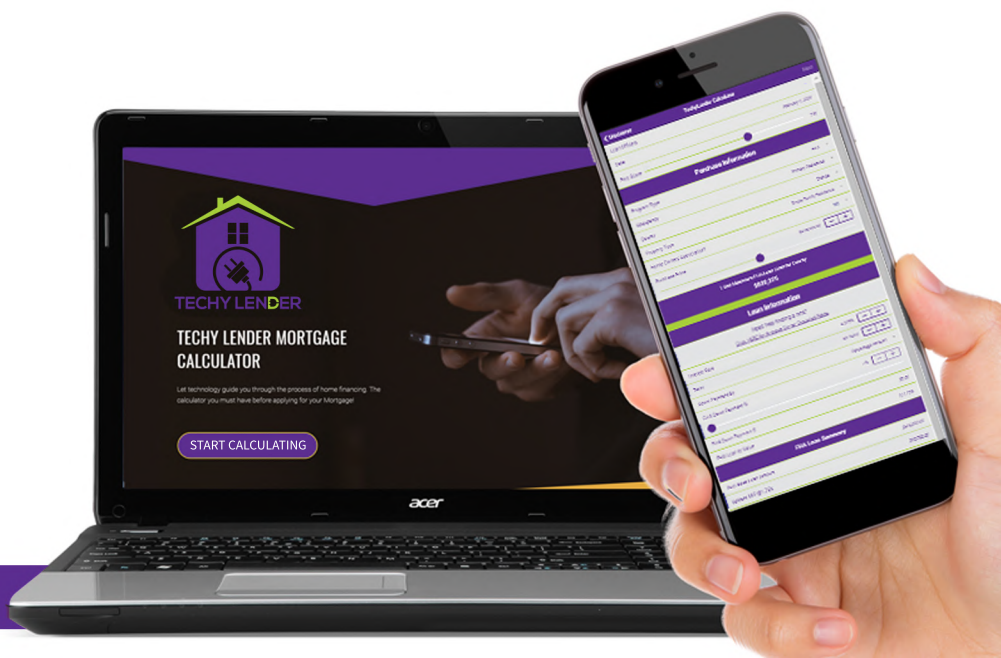
EXAMPLE      PURCHASE PRICE: \$400,000      FUNDING FEE: 2.3%  
                    LOAN AMOUNT: \$400,000      INTEREST RATE: 4.5%  
                    FINAL LOAN AMOUNT: \$408,000      DOWN PAYMENT: \$0

$$\begin{array}{lcl} \text{PRINCIPAL} & \text{LOAN AMOUNT @ INTEREST RATE} & \\ \text{\& INTEREST} & \frac{\quad}{12 \text{ MONTHS}} & = \$2,070.32 \end{array}$$

$$\begin{array}{lcl} \text{HAZARD} & \text{PURCHASE PRICE X .15\%} & \\ \text{INSURANCE} & \frac{\quad}{12 \text{ MONTHS}} & = \$50.00 \end{array}$$

$$\begin{array}{lcl} \text{TAXES} & \text{PURCHASE PRICE X 1.25\%} & \\ & \frac{\quad}{12 \text{ MONTHS}} & = \$416.67 \end{array}$$

**TOTAL MONTHLY PAYMENT = \$2,536.98**





# NON-ALLOWABLE FEES

Closing costs are something you cannot avoid when getting a mortgage. But a big benefit of VA loans, is that there is a limit on what veterans and military members pay in closing costs.

Usually, a VA borrower can pay:

- Discount points to lower the interest rate, plus
- Reasonable amounts for itemized fees and charges allowed by the VA, plus
- A flat 1 percent fee charged by the lender

## The 1 Percent Fee

This flat 1 percent fee is designed to cover the lender's costs associated with originating, processing and underwriting the loan. On a \$200,000 VA loan, this fee would be \$2,000.

If the lender is charging the 1 percent fee, they are not allowed to tack on additional charges for things the VA basically considers overhead.

If your lender is charging the flat fee, there's a host of things you cannot pay for, including:

- Loan application or processing fees
- Interest rate lock-in fees
- Document preparation fees
- Lender appraisals
- Postage costs
- Escrow or notary fees
- Tax service fees
- Loan closing or settlement fees

The lender has to cover these costs out of that flat 1 percent charge. While using this flat fee is common, lenders can also choose to take a more piecemeal approach. And if they do that, VA buyers can wind up paying costs and fees that would otherwise be unallowable.

For VA buyers, the bottom line is this: **Lenders can't charge you more than 1 percent to cover their loan origination and processing costs.**

## Non-allowable fees include:

- Attorney fees charged by the lender
- Real estate broker or agent commissions or fees
- Fees for appraisals requested by the lender or seller for a Reconsideration of Value
- Fees for appraisals requested by anyone other than the veteran or seller
- Fees for a flood zone determination by the lender or appraiser

# ITEMIZED FEES & CHARGES

There are a handful of third-party charges. These are fees that most lenders do not have control over. In some case, you can shop around, like with title and homeowner insurance. Lenders are not allowed to charge handling fees, or tak on additional costs to third-party charges.

These fees and charges can include things like:

- The VA appraisal
- Recording fees
- Credit report
- Prepaid taxes and insurance
- Title insurance
- The VA funding fee
- And more

All of these are costs and fees that a VA buyer cannot pay. But that doesn't automatically mean the home seller has to pay these costs. Any of the other parties to the loan, like the lender or a real estate agent, can cover these expenses.

When it comes to closing costs, every buyer's situation is different. VA buyers can negotiate with the home seller to cover some or all of their closing costs.

But that's not always feasible, so talk with your lender in the early going about projected closing costs and how to craft an offer that maximizes your budget and your homebuying chances.

# ALLOWABLE FEES

In addition to the potential costs and fees above, VA buyers can pay reasonable amounts for certain itemized fees and charges.

These fees and charges can include things like:

- Appraisal
- Compliance Inspection
- Recording Fees
- Credit Report
- Prepaid Items
- Hazard Insurance
- Property Taxes
- Flood Zone Determination
- Survey
- Title Examination and Title Insurance
- Special mailing fees for refinance loans
- VA Funding Fee
- MERS Fee

These are third-party charges, meaning lenders don't have control over the amount. In some cases, like with homeowners insurance and title insurance, you may be able to shop around for the best deal among multiple providers.

Lenders are not allowed to charge handling fees or tack on additional costs to third-party charges.

When it comes to closing costs, every buyer's situation is different. VA buyers can negotiate with the home seller to cover some or all of their closing costs.

But that's not always feasible, so talk with your lender in the early going about projected closing costs and how to craft an offer that maximizes your budget and your homebuying chances.

# LOAN DOCUMENT CHECKLIST

In addition to your DD214 or Statement of Service and your Certificate of Eligibility, your lender will require several personal documents in order to process and underwrite your VA Loan.

**Typically these include the following personal documents for all borrowers:**

- W-2 Statements for the past two years from all employers
- Most recent pay stubs or LES covering one full month
- Most recent bank and asset statements covering two full months
- Copy of your drivers license or military ID and social security card











**Other required items, if applicable to your personal situation, will include the following:**

- 1099's for retirement income and a recent retirement statement
- Social Security Awards Letter or current statement
- Child support orders and/or divorce decree to document child support or alimony received
- All schedules and discharge paperwork for any bankruptcies filed in the past 7 years



# THE LOAN PROCESS

The loan process is a lot like playing hopscotch. You have to finish one step to jump to the next one. Just like hopscotch, there are 9 steps needed to win. A win means your loan funded. Are you ready to win? Let's begin!

-  **step 1** Find a lender. You want a lender that is transparent about their mortgage license, rates and fees. Your lender should give you different options, and offer under written approvals and not just pre-approvals.
-  **step 2** Find a realtor. You want a relator that knows how to negotiate during a sellers market and knows the costs of improvements. If you are buying a new build, you want your own representation.
-  **step 3** Find a house/open escrow. Determine your purchase price, negotiate terms and clear your earnest money desposit check (EMD Check).
-  **step 4** Initiate approval. Lock or float your loan. The lender will send out disclosures and Loan Estimate. The buyer will sign initial disclousres, and send in updated conditions to get initial approval. Appraisal, home inspection and termite are ordered.
-  **step 5** Conditional approval/clear conditions. Clear title, escrow and appraisal. Clear your credit, income, asset conditions. You will also lock your loan if you haven't yet.
-  **step 6** CD/Docs. You will make sure you send out all disclosures. Make sure everything matches up with the loan estimate. If it doesn't, there's a 3 day cooling period. Your loan docs go out, and make sure your loan is locked!
-  **step 7** Sign loan docs. Sign your loan and escrow docs. Remember to use a notary approved by the title company.
-  **step 8** Bring in your money and do your final walk through. Becareful of wire fraud, make sure it's wired from an account that has been verified by your lender.
-  **step 9** Fund your loan!
-  **step 10** Record and get your keys. Welcome home!

**The 4 due dates you want to write down and remember. These are common, but it can change on the purchase contract:**

1. Home inspection contingency date **10 days after opening escrow**
2. Appraisal contingency date **14 days after open escrow**
3. Loan contingency date **21 days after open escrow**
4. **Close of escrow date 30-60 days** depending on when buyer and seller decide on a date

# THE DO'S AND DON'TS OF HOME OWNERSHIP

## DO

STAY CONSISTENT  
IN YOUR WORK

SEND YOUR LOAN OFFICER  
YOUR PAY STUBS AND PAPERWORK  
SWIFTLY

SAVE MONEY

PAY YOUR BILLS ON TIME

GIVE YOUR LOAN OFFICER  
MORE REFERRALS :)

## DON'T

DON'T TAKE TIME OFF  
OR STOP WORKING YOUR  
NORMAL SHIFTS/OVERTIME

DON'T RE-RUN YOUR CREDIT  
TOO MANY TIMES  
CAUSING A CREDIT INQUIRY

DON'T RUN UP YOUR CREDIT  
WITH HIGH BALANCES

DON'T TRANSFER MONEY  
AROUND YOUR ACCOUNTS

DON'T FINANCE ANYTHING  
NEW/LARGE (CAR,  
JEWELRY, ELECTRONICS)



# THE 5 HOME BUYING CHECK POINTS



**Current Credit Report/Score** Credit reports expire every 120 days.



**Know your income**, your lender calculated base income, overtime, and bonuses. This is to show your bonus and overtime are the same and that your income does not decline when they are added.



**Know your deposits.** Continue to watch over your deposits to make sure everything stays normal. Pay attention to your spending, and don't buy things you can't afford.



**Check your pre-approval letter.** Get the approval at the payment you want, and get your max approval solidified.



**Check the rates.** Check with your lender for current rates. You might not qualify for the same dollar amount if the rates have changed



## YOUR HOME BUYING PROFILE

**Property Profile** ☐ SFR ☐ Condo ☐ Duplex ☐ Tri-4 plex ☐ Manufactured Home

**Goal** ☐ Purchase ☐ Rate & Term Refi ☐ Streamline ☐ Cashout Refi

**Loan Type** ☐ Conventional ☐ FHA ☐ VA ☐ USDA ☐ Jumbo ☐ DPA

**Occupancy** ☐ Owner Occupied ☐ 2nd Home ☐ Investment

**Date credit  
check last ran**

**Down Payment %  
or Loan-to-Value**

**Loan Amount**

**Interest  
Rate**

**Middle Credit  
Score**

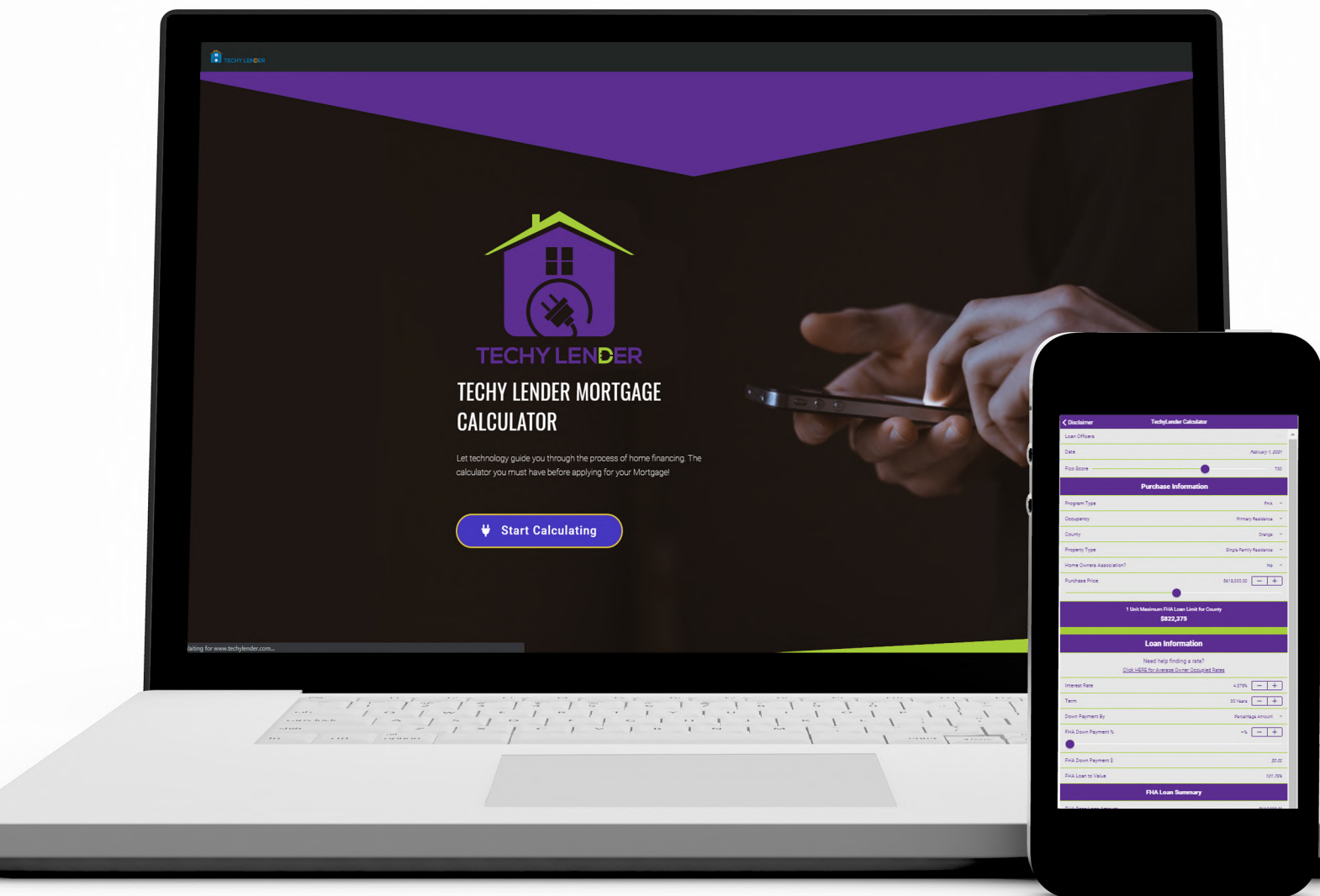
**Purchase Price  
or Appraised Value**

**County  
you want to live in**

# The Techy Lender Mortgage Calculator

## Qualify Before You Apply!

- Compare interest rate scenarios
- LPMI vs Standard MI Comparisons
- Built-in loan qualifier



Created by:  
James Williams "The Techy Lender"

[WWW.TECHYLENDER.COM](http://WWW.TECHYLENDER.COM)



# what's a mortgage

Follow my social accounts to stay connected and get access to my live streams, mortgage updates and hot homeowner tips!

@whatsamortgage



You can also contact me at:  
**(714) 410-5556**  
**info@whatamortgage.com**

loanDepot.com, LLC is not affiliated with the "Ultimate Mortgage Guide". This is a publication that Minh Nguyen created and published independently.

**WWW.WHATSAMORTGAGE.COM**