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VA Loan Technicians are trained to help Veteran borrowers retain their homes and avoid foreclosure.

Please call toll-free 1-877-827-3702 to speak to a VA Loan Technician. For more information visit [www.benefits.va.gov/homeloans/index.asp](http://www.benefits.va.gov/homeloans/index.asp)

# I. VA Guaranty Home Loan Overview

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Home Loan Guaranty – March 2017

## **(a) A VA-Guaranty loan can be used to:**

- Buy a home, either existing or pre-construction, as a primary residence
- Refinance an existing loan.

## **(b) Benefits of the VA Guaranty Loan:**

- Equal opportunity for all qualified Veterans to obtain a VA loan
- Reusable
- No down payment (unless required by the lender or the purchase price is more than the reasonable value of the property)
- No mortgage insurance
- One time VA funding fee that can be included in the loan
- Veterans receiving VA disability compensation are exempt from the VA funding fee
- VA limits certain closing costs a Veteran can pay
- Can be assumed by qualified persons
- Minimum property requirements to ensure the property is safe, sanitary, and sound
- VA staff dedicated to assisting Veterans who become delinquent on their loan

## **(c) Eligibility:**

**Generally, the following people are eligible:**

- Veterans who meet length of service requirements
- Servicemembers on active duty who have served a minimum period
- Certain Reservists and National Guard members
- Certain surviving spouses of deceased Veteran

**Note:** There are other groups of individuals who may be eligible. To determine your eligibility, check [www.eBenefits.va.gov/ebenefits/homepage](http://www.eBenefits.va.gov/ebenefits/homepage) or call VA at 1-877-827-3702.

## (d) Key Underwriting Criteria:

- No maximum debt ratio; however lender must provide compensating factors if total debt ratio is over 41%
  - No maximum loan amount; however, VA does limit its guaranty; Veterans can borrow up to \$424,100 without a down payment in most of the country. Find out the limit [in any county](#)
- ([www.benefits.va.gov/homeloans/purchaseco\\_loan\\_limits.asp](http://www.benefits.va.gov/homeloans/purchaseco_loan_limits.asp))
- Published residual income guidelines to ensure Veterans have the capacity to repay their obligations while accounting for all living expenses.
  - No minimum credit score requirement; instead VA requires a lender to review the entire loan profile to make a lending decision.
  - See the complete [VA credit guidelines](#)

([www.benefits.va.gov/warms/pam26\\_7.asp](http://www.benefits.va.gov/warms/pam26_7.asp))

## (e) How To Start The Process:

VA provides policy, guidelines and oversight of the program. Lenders provide financing for eligible Veterans. The guaranty allows Veterans to obtain a competitive loan without a down payment. Lenders need a Certificate of Eligibility (COE) to prove your entitlement. Most Veterans can obtain the COE online through [eBenefits](#)<sup>1</sup>. Lenders also have the ability to request the COE on your behalf.

VA encourages prospective buyers to talk to several lenders to find one that fits their needs, knows the VA loan program, and offers competitive rates and terms.

**Note:** The VA appraisal is not intended to be an “inspection” of the property.

A Veteran should get expert advice from a qualified residential inspection service before legally committing to a purchase agreement. Veterans are also encouraged to have radon testing performed.

<sup>1</sup> [www.eBenefits.va.gov/ebenefits/homepage](http://www.eBenefits.va.gov/ebenefits/homepage)

## II. Assistance with Delinquent Home Loans

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### Home Loan Guaranty

#### (a) Overview

The Department of Veterans Affairs' (VA) mission is to provide eligible Veterans every opportunity to retain their home or avoid foreclosure. VA urges all Veterans who are encountering problems making their mortgage payments to speak with their loan servicer as soon as possible to explore options to avoid foreclosure or contact the nearest Regional Loan Center at (877) 827-3702.

#### (b) Options To Avoid Foreclosure

The following options are generally available to all borrowers to avoid foreclosure:

- **Repayment Plan** – The borrower makes their regular installment each month plus part of the missed installments.
- **Special Forbearance** – The servicer agrees not to initiate foreclosure to allow time for borrowers to repay the missed installments.
- **Loan Modification** – Provides the borrower a fresh start by adding the delinquency to the loan balance and establishing a new payment schedule.
- **Additional time to arrange a private sale** – The servicer agrees to delay foreclosure to allow a sale to close if the loan will be paid off.
- **Short Sale** – When the servicer agrees to allow a borrower to sell his/her home for a lesser amount than what is currently required to pay off the loan.
- **Deed-in-Lieu of Foreclosure** - The borrower voluntarily agrees to deed the property to the servicer instead of going through the foreclosure process. Access our home loans website for additional information on VA loans, and to watch video of Veterans who have completed some of the workout options listed above.

#### (c) Servicemembers Civil Relief Act (SCRA)

Veteran borrowers may be able to request relief pursuant to the Servicemembers Civil Relief Act (SCRA). SCRA is intended to ease the economic and legal burdens on military personnel during their active service. In order to qualify for certain protections available under the Act, the borrower must request protection under the Act, and the loan must have originated prior to the current period of active military service. SCRA may provide for a lower interest rate, or prevent foreclosure, or eviction. Please contact your nearest VA Loan Technician at (877) 827-3702 if you have any questions.

#### **(d) Veterans With VA-Guaranty Home Loans**

Loan servicers have the primary responsibility of resolving loan defaults, so it is imperative borrowers contact their loan servicer as quickly as possible. However, in cases where the servicer is unable to help the Veteran borrower, Loan Guaranty has Loan Technicians in nine Regional Offices who take an active role in interceding with the servicer to explore all options to avoid foreclosure. Servicemembers or Veterans with VA-Guaranty home loans can call (877) 827-3702 to reach the nearest Loan Guaranty office where Loan Technicians are prepared to discuss potential ways to help save the home.

#### **(e) Veterans With Non VA-Guaranty Home Loans**

For a Veteran or Servicemember with a conventional or sub-prime loan, VA does not have the legal authority to intervene on the borrower's behalf. It is imperative that the borrower contacts his/her servicer as quickly as possible. Visit [VA's home loans website<sup>2</sup>](#) or call toll-free (877) 827-3702 to speak with a VA Loan Technician for advice on approaches to take with your servicer.

### **III. VA Home Loans for Rural Residents & Farms**

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#### **(a) Overview**

The Department of Veterans Affairs' (VA) Home Loan benefit may be used to purchase a farm on which there is a farm residence to be owned and occupied by a Veteran as his or her primary residence. Although the VA Home Loan benefit cannot be used for business loans, including for farming, Veterans can use the benefit to purchase a farm on which there is a residence.

#### **(b) General Guidance**

Loans for farm dwellings are appraised the same way as for homes in urban areas.

- VA does not set limits on the number of acres a VA-Guaranty property may have.
- The appraisal of properties with acreage should not present difficulties if a sufficient number of similar properties in the area were recently sold primarily for residential use, and may include improvements not typically considered residential (i.e. barns, sheds, corrals, stables, pastures).
- For VA purposes, the valuation must not include livestock, crops, or farm equipment and supplies. In any case, individual improvements not typically

<sup>2</sup> [www.benefits.va.gov/homeloans/veteran\\_borrowers.asp](http://www.benefits.va.gov/homeloans/veteran_borrowers.asp)

considered residential (i.e. barns, sheds, corrals, stables, pastures) will be valued at their fair market value.

Underwriting guidelines are generally the same as for non-farm type dwellings.

- For example, if some or all of the income necessary to support the loan payments comes from farming operations, a Veteran's ability and experience as a farm operator must be established.
- The procedures and analysis provided in Chapter 4 of VA Pamphlet 26-7, Lenders Handbook, under "Self-Employment Income" generally apply.

## IV. 3 Easy Steps to a VA Home Loan

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1. [Apply online](#)<sup>3</sup> for a Certificate of Eligibility (COE) or by mail using [VA Form 26-1880](#)<sup>4</sup>, Request for Certificate of Eligibility. Lenders can also obtain COEs for Veterans online.
2. Find a realtor and lender to help navigate you through the process of buying a home. The lender will complete an application and work with you to determine the amount of loan for which you qualify. After you provide a pre-qualification or pre-approval to the realtor they will be able to show you homes within that price range. Select a home and sign a purchase agreement or a contract with a builder. It is important to note that your sales contract should include a provision making it void if you are unable to attain VA-Guaranty financing.
3. The lender will then order an appraisal of the property, and help you clear the final conditions required to close on your new home.

<sup>3</sup> [www.ebenefits.va.gov/ebenefits/about/feature?feature=cert-of-eligibility-home-loan](http://www.ebenefits.va.gov/ebenefits/about/feature?feature=cert-of-eligibility-home-loan)

<sup>4</sup> [www.vba.va.gov/pubs/forms/vba-26-1880-are.pdf](http://www.vba.va.gov/pubs/forms/vba-26-1880-are.pdf)