



Pre-Loan Frequently Asked Questions

General questions about VA loans that may arise BEFORE you get one

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Q: What is a VA Guaranteed Home Loan?

A: 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. The guaranty means the lender is protected against loss if you fail to repay the loan. The guaranty replaces the protection the lender normally receives by requiring a down payment allowing you to obtain a favorable financing terms.

Q: What is pre-purchase counseling and why is it helpful?

A: Pre-purchase counseling gives a person information on (1) the process of buying a home, (2) the key players in the home buying process, and (3) debt management. The goal is to better inform homebuyer. While VA does not require such counseling, we strongly recommend it. There is usually no charge for the housing counseling. An excellent online source of information for first time homebuyers is provided by [HomeMap](#).

To locate a housing counseling office call (800) 545-4287 or visit HUBs [webpage](#). The Department of Housing and Urban Development (HUD) maintains both the phone number and [webpage](#).

Q: Does my entitlement guarantee that I will get a home loan?

A: No, VA cannot compel a lender to make a loan that would violate their lender policies. Lenders must also comply with VA income and credit standards. If a lender is unwilling to make a loan to you, we can only suggest that you try other lenders.

Q: How much is my entitlement?

A: Your basic entitlement is \$36,000. For loans in excess of \$144,000 to purchase or construct a home, additional entitlement up to an amount equal to 25 percent of the VA county loan limit for a single family home may be available. VA county loan limits, which can change yearly, are available at [this link](#). The loan limits are the amount a qualified veteran with full entitlement may be able to borrow without making a downpayment.

Q: How do I get a Certificate of Eligibility?

A: Web LDR: It may be possible to obtain a Certificate of Eligibility from your lender. Most lenders have access to the Web LDR system. This internet based application can establish eligibility and issue an online Certificate of Eligibility in a matter of seconds. Not all cases can be processed through Web LDR - only those for which VA has sufficient data in our records. However, veterans are encouraged to ask their lenders about this method of obtaining a certificate.

You can apply for a Certificate of Eligibility by submitting a completed [VA Form 26-1480](#), Request For A Certificate of Eligibility, to the [Atlanta Eligibility Center](#), along with proof of military service. In some cases it may be possible for VA to establish eligibility without your proof of service. However, to avoid any possible delays, it's best to provide such evidence.

Q: How do I obtain a VA Home Loan?

A: Here are the steps:

- Select a home and discuss the purchase with the seller or selling agent. Sign a purchase contract conditioned on approval of your VA home loan.
- Select a lender, present them with your Certificate of Eligibility if available, and complete a loan application. The lender can also obtain a Certificate of Eligibility on your behalf.
- The lender will develop all credit and income information. They will also request VA to assign a licensed appraiser to determine the reasonable value for the property. A Certificate of Reasonable Value will be issued. **Note:** You may be required to pay for the credit report and appraisal unless the seller agrees to pay.
- The lender will let you know the decision on the loan. You should be approved if the established value and your credit and income are acceptable.
- You (and spouse) attend the loan closing. The lender or closing attorney will explain the loan terms and requirements as well as when and how to make the monthly payments. Sign the note, mortgage, and other related papers.

Q: What are the benefits of a VA home loan?

A: There are many benefits of a VA home loan:

- Equal opportunity.
- No down payment (unless required by the lender or the purchase price is more than the reasonable value of the property).
- Buyer informed of reasonable value.
- Negotiable interest rate.
- Ability to finance the VA funding fee (plus reduced funding fees with a down payment of at least 5% and exemption for veterans receiving VA compensation).
- Closing costs are comparable with other financing types (and may be lower).
- No mortgage insurance premiums.
- An assumable mortgage.
- Right to prepay without penalty.
- For homes inspected by VA during construction, a warranty from builder and assistance from VA to obtain cooperation of builder.
- VA assistance to veteran borrowers in default due to temporary financial difficulty.

Q: What can VA not do?

A: Guarantee that a home is free of defects. VA guarantees only the loan. It is your responsibility to insure that you are satisfied with the property being purchased. The VA appraisal is not intended to be an "inspection" of the property. You should seek expert advice (a qualified residential inspection service), as necessary, BEFORE legally committing to a purchase agreement.

If you have a home built, VA cannot compel the builder to correct construction defects although VA does have the authority to suspend a builder from further participation in the home loan program.

VA cannot guarantee that you are making a good investment. VA cannot provide you with legal services.

Q: Should I have my home checked for Radon?

A: While radon testing is not required, it is encouraged. For information on Radon and how to test, please read the Environmental Protection Agency guide found at [this link](#).

Q: Is a guaranteed loan a gift?

A: No, it must be repaid, just as you must repay any money you borrow. If you fail to make the payments you agreed to make, you may lose your home through foreclosure.

Q: Can I get a loan for a home outside of the United States?

A: Unfortunately, the law only allows VA to guarantee loans on property in the United States, its territories, or possessions.

Q: Can I get a VA loan if I have had a bankruptcy in the last few years?

A: The fact you and/or your spouse have been adjudicated bankrupt does not in itself disqualify you for a VA home loan. The following rules apply:

- If the bankruptcy was discharged more than 2 years ago, it **may** be disregarded.
- If the bankruptcy was discharged within the last 1 to 2 years, it is probably not possible to determine that you and/or your spouse are a satisfactory credit risk unless **both** of the following requirements are met:
 - you and/or your spouse have reestablished satisfactory credit, **and**
 - the bankruptcy was caused by circumstances beyond your and/or your spouses control (such as unemployment, medical bills, etc.)
- If the bankruptcy was discharged within the past 12 months, it will **not** generally be possible to determine that you and/or your spouse are satisfactory credit risks.

Q: 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?

A: The VA funding fee is required by law. The fee 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 slightly higher. 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. First and second time users will make a down payment of at least 5 percent (plus a reduced funding fee of 1.5 percent, the same 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. National Guard and Reservist veterans pay a slightly higher funding fee percentage. To determine the exact funding fee percentage, please review the [funding fee table](#).

Q: I want to buy a house with a VA loan. Do I need to occupy the property?

A: The law requires that you certify that you intend to occupy the property as your home. This requirement is considered satisfied if you actually intend to occupy the property as your home and in fact so occupy it when the loan is closed or within a reasonable time afterward.

Q: I am a single veteran stationed overseas and want to buy a home in my home town. My friends who are married can do this with their spouses occupying the property in their area, but VA says I can't do this with my parents or other relatives occupying in my behalf. Isn't this discrimination against single veterans?

A: The law specifically provides that occupancy by the veteran's spouse satisfies the personal occupancy requirement. The law makes no provision for occupancy by any other relatives as a substitute for personal occupancy by the veteran.

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

A: Yes, but the guaranty is based only on the veteran's portion of the loan. The guaranty cannot cover the nonveteran's part of the loan. Consult lenders to determine whether they will be willing to accept applications for joint loans of this type. Lenders that are willing to make these types of loans will likely require a down payment to cover risk on the unguaranteed, nonveteran's portion of the loan. Unlike other loans, the lender 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 nonveteran's income must be adequate to cover the rest.

Q: If a veteran dies before the loan is paid off, will the VA guaranty pay off the balance of the loan?

A: No. The surviving spouse or other co-borrower must continue to make the payments. If there is no co-borrower, the loan becomes the obligation of the veteran's estate. Mortgage life insurance is available but must be purchased from private insurance sources.