

# Buy a Home with a



# VA HOME LOAN

Sponsored by:

**EQUITY**  
RESOURCES, INC.  
*mortgages*

**Sid Shah**

*Director, Mortgage  
Origination*

[SShah@calleguity.net](mailto:SShah@calleguity.net)  
614-571-3893



# Loans for Veterans

You've served the U.S.,  
now let us serve YOU!

**Veteran's Administration or "VA" loans are available for active, non-active and retired Army, Air Force, Marine, Navy, National Guard and Coast Guard vets who meet the established service requirements.**

The most notable features and benefits for those who qualify are:

- 100% financing/No down payment
- No monthly mortgage insurance (PMI)
- Gift funds acceptable for closing costs
- No cash reserve requirements
- A variety of terms or loan types available
- Available for purchase and refinance
- Reduced costs for disabled veterans
- Seller can pay for closing costs
- Seller pays for any required repairs
- No pre-payment penalty
- Exempt from "Qualified Mortgage" rule/law
- Any Veteran can refinance their Conventional, FHA, VA, USDA or subprime mortgage into a 100% loan to value VA loan with no mortgage insurance!

To determine your ability to participate in this program, just provide your Certificate of Eligibility (COE) or your Discharge/Separation form (DD214). If you do not have your COE, you can request one using form 26-1880.





# B R E A K D O W N

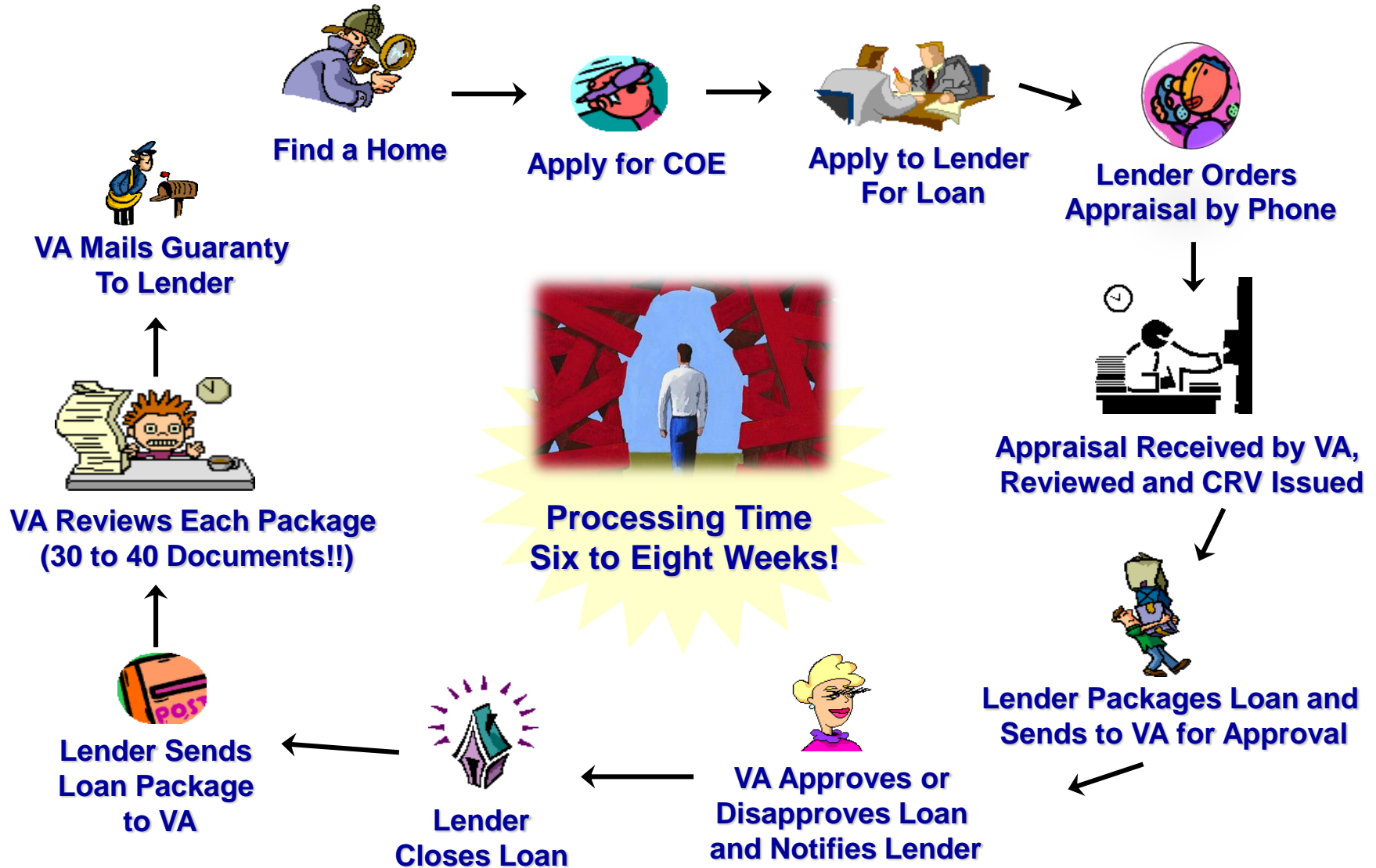
	VA PROGRAM
Min Credit Score	(580) 620
Down Payment	Zero Down
Bankruptcy 7	2 Years
Foreclosure	2 Years
Funding Fee (Can be financed)	2.15% No Down Pmt 2.4% (Reserve/Nat Gd) 2 <sup>nd</sup> Time Users 3.3% VA Disability Zero
Monthly Mortgage Insurance	None
Seller Contribution	Contributions = No Max VA Concession = 4%
Qualifying Ratio	41% Exceptions
Occupancy	OO Only
Income Requirement	Residual Income Requirements
First Time Home Buyer OK	Yes
Miscellaneous	Buy a home with \$0 down No monthly MI
Geographical Restriction	No
Lender Overlays	Yes

# Dispelling The Myths

- ✘ Appraisals take forever!
- ✘ Too much red tape!
- ✘ Too much paperwork!
- ✘ VA takes too long!
- ✘ There are not many Veterans in our area.
- ✘ Conventional Financing is better!

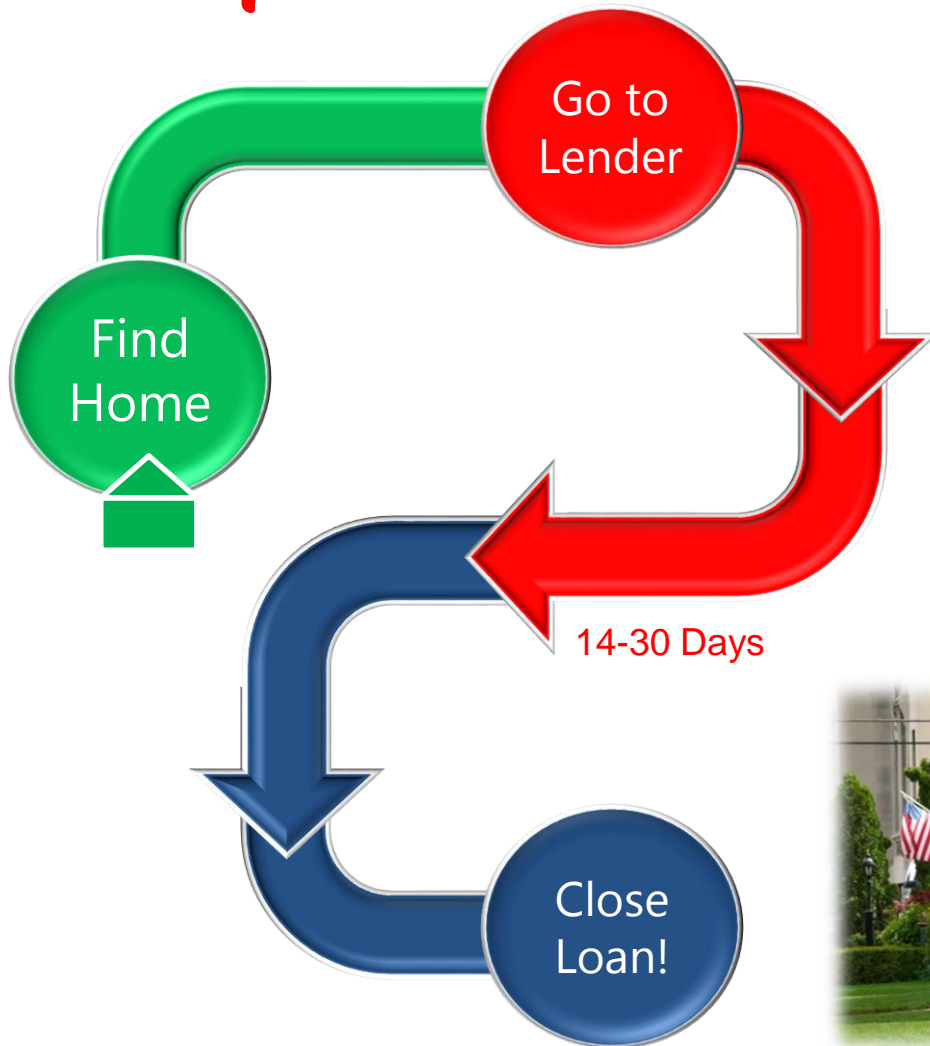


# Do You Remember The Past ?





# Today's Process...



## Lender:

- Determines eligibility electronically using ACE
- Uses AUS to get decision in minutes
- Orders Appraisal thru TAS
- Lender Closes Loan
- Obtains Loan Guaranty Electronically



**What Changed? Technology - Automation - Delegation - Oversight**



# VA-Guaranteed Loans

- Guaranteed by federal government through the Veterans Benefits Administration
  - Part of the Dept. of Veterans Affairs
- Help meet housing needs of eligible veterans
- Owner-occupied single family
- 1- to 4-unit multifamily if vet occupies one unit as principal residence
- Approved lenders and Automatic Endorsers
- Lender's Handbook:  
[http://benefits.va.gov/warms/pam26\\_7.asp](http://benefits.va.gov/warms/pam26_7.asp)

# Eligibility

- Based on continuous active service
  - Spouses of vets who died on active duty or MIA/POW may be eligible
  - <http://www.benefits.va.gov/homeloans/>
- Certificate of Eligibility (COE) issued by VA with proof of service:
  - DD-214 discharge papers
  - NGB Form 22/23
  - Statement of service





# Entitlement / Maximum Loan



- Guaranty limited to 25% lesser of purchase price or established reasonable value
  - Entitlement documented in COE
  - Vets may generally purchase home up to 4 times entitlement with no down payment
  - Annual loan limit set by county
    - \$417,000 for all OH Counties
- [http://www.benefits.va.gov/HOMELOANS/purchaseco\\_loan\\_limits.asp](http://www.benefits.va.gov/HOMELOANS/purchaseco_loan_limits.asp)
- If entitlement insufficient or limit exceeded:  
Eligibility + Down Payment + Equity must = 25%

# Restoring Entitlement

- Eligibility may be restored and used for another VA loan if:
  - Property is sold and loan paid in full
  - Eligible veteran assumes outstanding balance and substitutes his/her entitlement
- Must meet occupancy, income, and credit requirements





# Qualifying Standards

- Must be satisfactory credit risk with means to repay loan
- If legally married, spouse income may also be considered
  - Non-married co-borrower not allowed unless also an eligible vet occupying as principal residence
- Housing expense ratio (front end) not considered
- Debt-to-income ratio should not exceed 41%
  - Tax-free income may be grossed up to calculate
- Debt-to-income ratio  $> 41\%$  is ok with higher residual income



# Loan Qualifying

A veteran with a family of three who lives in the Midwest is applying for \$114,000 loan and has the following income and debts:

## Gross Monthly Income:

\$1,950	Primary Employment
<u>+ \$640</u>	Part-time Employment
<b>\$2,590</b>	<b>Total Income</b>

## Expenses:

\$706.42	Expected Housing Expense (PITI)
\$209.00	Car Payment
\$122.65	Student Loan
<u>+ \$52.09</u>	Revolving Credit Account
<b>\$1,090.16</b>	<b>Total Expenses</b>

**$\$1,090.16 \div \$2,590 = 0.42$  or 42% Total Debt-to-Income Ratio**

# Residual Income

- Income remaining after subtracting taxes, housing expenses, recurring debts
- Ensures adequate cash flow for family support
- Uses net effective income, not gross
- Considers size of veteran's family

VA Residual Income Chart: Loan amounts \$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	\$967
5	\$921	\$902	\$902	\$1,004
More than 5	Add \$75 per additional family member up to seven			

VA Residual Income Chart: Loan amounts \$80,000 and above				
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
More than 5	Add \$80 per additional family member up to seven			



An American flag is flying on a pole in front of a house with blue shutters and white siding. The scene is set against a bright, sunny background with some green foliage visible at the top.

# Property Guidelines

- Eligibility:
  - Existing home (occupied or completed at least 1 year)
  - New build with warranty, protection, or veteran-built
  - Must meet minimum property requirements (MPR)
- Establishing reasonable value
  - VA reviews Appraisal, issues reasonable value:
    - ★ Notice of Value
    - ★ Certificate of Reasonable Value
  - Lesser of reasonable value or sales price defines maximum mortgage amount
- Occupy as primary residence within 60 days  
*(12 Months, if Veteran is on active duty or spouse can satisfy this guideline.)*



# Variable Funding Fee

- No upfront or monthly mortgage insurance premiums
- Must pay one-time non-refundable variable funding fee at closing
  - Waived for disabled veterans and some surviving spouses
  - May be financed (added to loan amount) or paid in cash

Purchase - First Time Use			
Down Payment	Active Duty/Retired	Guard/Reserve	If a service-connected disability
\$0 Down	2.15%	2.40%	0%
5-10% Down	1.50%	1.75%	0%
10% or More	1.25%	1.50%	0%

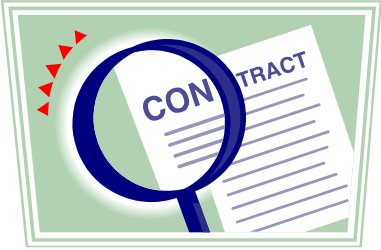
Purchase - Additional Use			
Down Payment	Active Duty/Retired	Guard/Reserve	If a service-connected disability
\$0 Down	3.30%	3.30%	0%
5-10% Down	1.50%	1.75%	0%
10% or More	1.25%	1.50%	0%



# Closing Costs

- Reasonable and customary amounts
- Lender may charge flat fee not to exceed 1% (Must be refunded if loan does not close)
- May not be charged commission, brokerage fee or buyer-broker fees
- May not pay other closing fees (e.g., interest rate lock, tax service, notary, escrow)
- Seller, lender or other third party may pay unlimited closing costs





# Contract Issues



- **Contingent on VA financing VA**
- **“Escape Clause” is mandatory**
- **Seller must pay termite inspection**

\*\*\*\*\*

# Seller Concessions

- Anything of value added to transaction that seller does not customarily pay, for example:
  - Funding fee
  - Prepaid property tax/insurance
  - Permanent buydowns
  - Payoff of other credit balances
- Closing costs/points typically paid by seller are not considered concession
- Seller concessions over 4% reasonable value are unacceptable
- There is no max seller contributions
- Common error



# Secondary Financing

- Simultaneous secondary financing permitted
- 2<sup>nd</sup> loan must be subordinated
- No cash-back
- Must qualify for 2<sup>nd</sup> mortgage as recurring monthly obligation
- Interest rate on 2<sup>nd</sup> mortgage may not exceed industry standards
- 2<sup>nd</sup> mortgage should not restrict ability to sell any more than VA 1<sup>st</sup> mortgage



# Assumption and Prepayment

- Loans closed on or after 3/1/1988 require VA / lender approval for assumption
  - Vet is released of liability in event of default
  - Eligibility may be restored if:
    - ★ Assumer is an eligible veteran
    - ★ Assumption has been approved
    - ★ Assumer agrees to substitute entitlement and occupy as principal residence
- Prepayment penalties are prohibited
  - May be allowed for secondary financing



# VA Program

## VA Myths

- We don't have Veterans in my area
- Takes too long

## VA Facts

- No monthly mortgage insurance
- Condos must be VA approved

<https://vip.vba.va.gov/portal/VBAH/VBAHome/condopudsearch>

- Veteran can not pay for Pest inspection
- Mortgages are assumable



# Summary: VA-Guaranteed Loans

- Help eligible veterans buy homes
- No down payment
- Veteran must occupy home
- VA does not limit home price
- Limits guaranty amount to 25% maximum loan limit in county
- Easier to obtain than in the past
- VA loans are now easier to qualify for than other loans



# Summary: VA Loans *(continued)*

1. Borrower needs DD-214 (discharge papers) and COE (Certificate of Eligibility)
2. VA issues Notice of Value (NOV) or Certificate of Reasonable Value (CRV) based on appraisal; if price exceeds estimate of reasonable value, veteran must make up difference with down payment/equity
3. Secondary financing may be permitted
4. Required variable funding fee, paid in cash or financed; waived for disabled veterans; lender flat fee limited to 1%
5. No limit on seller contribution to closing; 4% limit on seller concessions (Please don't confuse this)
6. Assumable by eligible vets with VA approval
7. Prepayment penalty not allowed
8. Vet may restore entitlement if loan paid or assumed by eligible vet who substitutes entitlement
9. There are no loan limits - the best Jumbo program is a VA Loan

# Great News About Equity Resources

- We are a direct VA (Ginnie Mae) Lender, thus we can use common sense underwriting and eliminate many “competitors” overlays.
- We have multiple “SARS” in-house so we review the appraisal and issue a “Notice of Value” faster.
- We will refinance any Veteran’s Conventional, FHA, USDA, VA or Subprime mortgage into a 100% loan-to-value VA Loan with no mortgage insurance.
- We commit to next day underwriting for conditions and full underwrites.

***We are committed to our Veterans  
who served us in the past and present!***

# EQUITY

RESOURCES, INC.  
*mortgages*



# Q & A

OFFICE: 7251 Sawmill Rd, Ste 100 \* Dublin, OH 43016  
Website: [www.CallEquity.com](http://www.CallEquity.com)



Corporate NMLS 1579, MB800302.007-BR.  
Siddharth Shah NMLS 416502, LO.039036.  
Certain restrictions apply, call for details. Equal Housing Lender.  
Program terms and conditions are subject to change at any time.

## Sid Shah

*Director, Mortgage  
Origination*  
SShah@calleguity.net  
614-571-3893

