

GENERAL INFORMATION REGARDING THE VETERANS AFFAIRS (VA) HOME LOAN

Be an informed seller or buyer. The following information may assist you during your real estate transaction.

Intent: To educate agents, buyers, and sellers regarding VA home loans and to promote an understanding of the facts regarding loans.

Veterans Affairs Home Loan Facts:

1. Did you know that the processes and procedures to determine value on a VA loan are the same with conventional, FHA, and all other appraisals?

Appraisers go through the same process and procedures no matter what loan type. However, VA appraisals go beyond conventional appraisals by incorporating a second function: ensuring that homes meet the VA's minimum property requirements (MPRs). These are just additional safety checks making sure the house is safe, sound, and sanitary.

2. Did you know a VA loan allows the borrower to protest the appraised value?

VA appraisers must notify the buyer, designated representative, or lender that the appraised value is below the contract purchase price. Lenders and REALTORS® work together and are given 24 hours to invoke Tidewater. Tidewater gives VA approved appraisers a way to request additional information that might support the sales price.

3. Did you know VA loans have a high contract to close ratio?

VA loans generally have a higher closing success rate than other loan products, according to data from Ellie Mae and from an article from the Department of Veterans Affairs. Pre-approved VA buyers are as strong a buyer as you can find, and the VA home loan is a powerful home buying tool.

Sources: (<https://www.icemortgagetechnology.com/mortgage-data/origination-insight-reports>)
(<https://blogs.va.gov/VAntage/19931/va-busts-four-home-loan-myths-that-hurt-veteran-homebuyers/>)

4. Did you know sellers are NOT required to pay the non-allowable fees?

Even though non-allowable fees are “not allowed” to be charged to the veteran, this does not mean they automatically get charged to the seller. Sometimes the lender will cover these costs.

5. Did you know San Antonio is trademarked Military City USA? One way that we help our veterans is by continually educating ourselves and understanding the facts associated with our veteran home buyers.

In 2018, San Antonio was home to roughly 250,000 veterans and 80,000 active-duty personnel, which has only increased. Unofficial data states that 18% percent of our San Antonio population in 2020 was veteran based.

6. Did you know a VA government guaranteed loan is 100% loan to value?

The VA does 100% loan to value (LTV) and can actually go up to 100% plus the funding fee. This is made possible because the VA home loan is a government guaranteed loan. A veteran electing 100% financing is not an indication of the financial capability to repay the loan, but it is the veteran choosing to take full advantage of an earned benefit.

VA-GUARANTEED HOME LOANS FOR VETERANS: The main purpose of the VA home loan program is to help veterans finance the purchase of homes with favorable loan terms and at an interest rate which is usually lower than the rate charged on other types of mortgage loans. For VA housing loan purposes, the term "veteran" includes certain members of the selected reserve, active-duty service personnel and certain categories of spouses.

VA Pamphlet 26-4 https://benefits.va.gov/homeloans/documents/docs/vap_26-4_online_version.pdf

MINIMUM PROPERTY REQUIREMENTS: The VA has established minimum property requirements (MPRs) to protect the interests of veterans, lenders, servicers, and the VA. Properties must meet these requirements prior to guaranty of the loan by the VA. MPRs help ensure that the property is safe, structurally sound, and sanitary. The scope of MPRs also include issues related to the property's location and legal considerations.

THE TIDEWATER INITIATIVE/POLICY: The Tidewater Initiative is a request to gather more details about a property in the event the appraised value is less than the contract purchase price. The Tidewater process gives two working days for appraisers to request additional sale information prior to the appraisal being completed.

RECONSIDERATION OF VALUE: If it appears an appraiser factored dissimilar properties, miscalculated, or omitted any value-adding features or miscalculated the square footage there is an appeals process for an appraisal rebuttal called a reconsideration of value.

ELLIE MAE: Ellie Mae Inc., originally named Electronic Mortgage Affiliates, is a software company that processes 35% of U.S. mortgage applications. The service is based on a software as a service model (SaaS) that streamlines and automates the process of originating and funding new mortgage loans and facilitating regulatory compliance.

NON-ALLOWABLE FEES: Costs and fees that a VA buyer cannot pay. These 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, and fees for a flood zone determination by the lender or appraiser. Being non-allowable means the VA buyer cannot pay these fees, but it does not mean the home seller has to pay these costs. Any of the other parties to the loan, such as the lender, can cover these expenses.

LOAN TO VALUE: The loan-to-value (LTV) ratio is a financial term used by lenders to express the ratio of a loan to the value of a home purchased. The LTV is the ratio of the first mortgage as a percentage of the total appraised value of the property. The VA guarantees loans up to 101% LTV (100% of the loan plus the 1% Funding Fee). Veterans are allowed to pay the difference between the appraisal value and the contract price. VA guaranteed financing allows the veteran up to 100% loan financing, equal to the full appraised value, but that does not preclude them from paying any agreed upon difference out of pocket.

FUNDING FEE: Veterans must also pay a VA funding fee at the time of loan closing. The fee may be included in the loan and paid from loan proceeds. The fee is not required from veterans in receipt of service connected compensation, or in receipt of military retirement in lieu of service connected compensation, and surviving spouses.

GUARANTEED LOAN: VA-guaranteed loans are made by private lenders such as banks, savings and loan associations, or mortgage companies. If the loan is approved, the VA guarantees the loan when it is closed. The guaranty means the lender is protected against loss if you or a future owner fail to repay the loan. The purpose of the guaranteed loan is to encourage lenders to make VA loans by protecting lenders/loan holders against loss, up to the amount of guaranty, in the event of foreclosure.

For more information on the U.S. Department of Veterans Affairs home loans, visit the following resources:

Veterans Benefits Administration, VA home loan: www.benefits.va.gov/homeloans/index.asp

VA Pamphlet 26-7: www.benefits.va.gov/warms/pam26_7.asp

Veterans Benefits Administration, Real Estate Professionals:

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