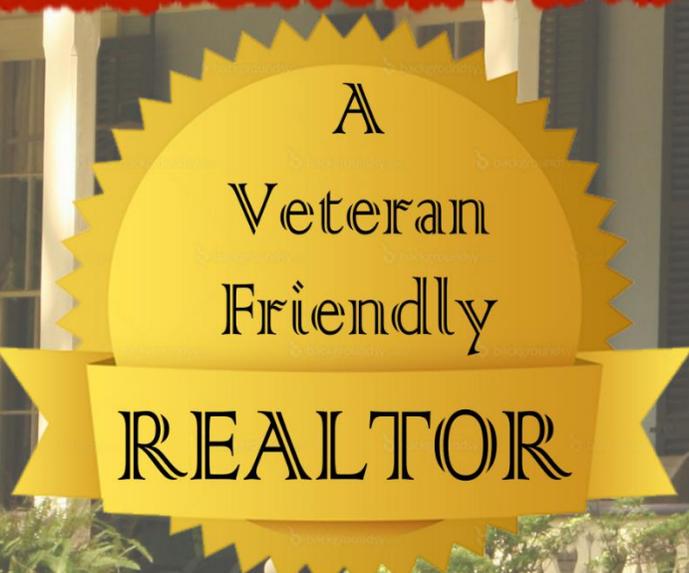




**THE GUIDE ON
VA LOANS**

A Step by Step Guide

to Maximizing Your Home Loan Benefits



A
Veteran
Friendly
REALTOR

Kapital *M* Realty

Bill Reyes

The Guide on

VA Loans

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The Guide on VA Loans
A Step by Step Guide to Maximizing Your Home Loan
Benefits

By Bill Reyes
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The Guide on VA Loans

Dedication

This guide book is dedicated to my Father Francisco Reyes who served in the U.S. Army during the Korean Conflict, my brother who served in the United States Marine Corps and all of the uniformed men and women who have faithfully served our country both in war time and peace. It is because of their sacrifice that we can live in a bountiful and free country. As a nation we owe a debt of gratitude to our military service men and women!

Thank You for Your Service.



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About Your VA Home Loan Guaranty

There are many benefits available to current and prior service members. They range from medical, education and yes purchasing a home! You've honorably served our country and it's only right that you take a positive advantage of what's available to you as a prior service member.

The federal government provides you an opportunity to purchase a home by backing you and the lender with a home loan guaranty.

What does that mean for you? It means that you can purchase a home with no down payment and most if not all of your closing costs may be rolled into the mortgage amount in the form of seller assistance. My mission is to ensure that as a Veteran you maximize the home loan guaranty program to secure your piece of the American Dream of homeownership!

These loans are provided by banks and mortgage companies and can provide you with better loan terms because part of the loan is guaranteed by the VA. The loan can be used to:

- ◆ Buy a home or condominium unit
- ◆ Build a home
- ◆ Simultaneously purchase and improve a home by installing energy-related features or making energy efficient improvements
- ◆ Buy a manufactured home and/or lot.

Of course you will need to establish your eligibility and meet certain criteria so let's talk about that.

Eligibility Requirements

The following chart simplifies in determining your eligibility requirements; simply find the rule that applies to your specific service term:

Status	Qualifying Wartime & Peacetime Periods	Qualifying Active Duty Dates	Minimum Active Duty Service Requirement
Veteran	Vietnam War	August 5, 1964 – May 7, 1975 *For Veterans who served in the Republic of Vietnam, the beginning date is February 28, 1961	90 total days
	Post-Vietnam War	5/8/1975 - 9/7/1980 *The ending date for officers is 10/16/1981	181 continuous days
	24-month rule	9/8/1980 - 8/1/1990 *The beginning date for officers is 10/17/1981	24 continuous months, OR The full period (at least 181 days) for which you were called or ordered to active duty
	Gulf War	8/2/1990 - Present	24 continuous months, OR The full period (at least 90 days) for which you were called or ordered to active duty
Currently on Active Duty	Any	Any	90 continuous days
National Guard & Reserve Member	Gulf War	8/2/1990 - Present	90 days of active service
	6 years of service in the Selected Reserve or National Guard, & Were discharged honorably, OR Were placed on the retired list, OR Were transferred to the Standby Reserve or an element of the Ready Reserve other than the Selected Reserve after service characterized as honorable, OR Continue to serve in the Selected Reserve		

If you do not meet the minimum service requirements, you may still be eligible; you should apply if you were discharged due to (1) hardship, (2) the convenience of the government, (3) reduction-in-force, (4) certain medical conditions, or (5) a service-connected disability.

Providing Evidence

Now that you've established your eligibility you'll need to provide "evidence" to apply for your Certificate of Eligibility (COE). Find your status on the chart below to find out what you'll need to provide as proof of your eligibility:

Category	Evidence to Apply
Veteran	
Current or former National Guard or Reserve member who has been activated Federal active service activated Federal active service	DD Form 214 - required to have a copy showing the character of service (item 24) and the narrative reason for separation (item 28).
Active Duty Service member	<p>A current statement of service:</p> <p>signed by (or by the direction of):</p> <p>the adjutant, personnel office, or commander of the unit or higher headquarters</p> <p>showing:</p> <p>Your full name Social Security Number Date of birth Entry date on active duty The duration of any lost time The name of command providing information</p>
Current National Guard or Reserve member who has never been Federal active service	<p>Statement of service:</p> <p>signed by (or by the direction of):</p> <p>the adjutant, personnel officer or commander of your unit or higher headquarters showing:</p> <p>Your full name Social Security Number Date of birth Entry date on duty The total number of creditable years of service</p>

Continued from previous Chart	The duration of any lost time The name of the command providing the information
Discharged member of the National Guard who has never been activated for Federal active service	NGB Form 22, Report of Separation and Record of Service, for each period of National Guard service -OR- NGB Form 23, Retirement Points Accounting, and proof of the character of service
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 <ul style="list-style-type: none"> ◆ Submit VA form 26-1817 ◆ Veteran's DD214 (if available) ◆ Include veteran's and surviving spouse's social security number on the 26-1817 form 	
If you are a Surviving Spouse and are not receiving DIC (Dependency & Indemnity Compensation) benefits you will need: <ul style="list-style-type: none"> ◆ VA form 21-534 ◆ Veteran's DD214 (if available) ◆ Marriage License ◆ Death Certificate or DD Form 1300 – Report of Casualty <p>Mail VA form 21-534 to:</p> <p>VA Regional Office (PMC-SBC) 5000 Wissahickon Ave. Philadelphia, PA 19144</p>	

Once you've gathered your evidence for eligibility, you'll need to apply and request for your Certificate of Eligibility (COE). Service members, Veterans and National Guard and Reserve Members can do this in one of two ways.

Applying for your COE:

Apply online through your eBenefits portal account. If you've already activated your account simply log in. If you need to set up your login credentials click the "Register box" and follow the on screen instructions. If you need assistance we can set a confidential appointment at my office to walk you through the set up process.

Allow me to assist you in completing the application. As stated above, I can help you to set up your eBenefits account or I can assist you in completing the form in our office so that you can apply by mail or submit to one of our lenders for processing. This process will only take us a few minutes to complete and we'll provide you with an envelope and postage for your convenience should you decide to mail your application.

Surviving Spouses

Spouses will need to complete VA Form 26-1817 and submit to our office for processing with one of our lenders or mail the 26-1817 and DD214 (if available). We'll provide you with an envelope and postage for your convenience should you decide to mail your application.

Additional Benefits and Requirements

Now that you understand how to apply and ensure you receive one of the most valuable VA benefits, let's discuss some other things you need to know.

In order to take advantage of the VA guaranteed home loan you'll need to know that the loan can only be used to purchase a home that you and or your spouse and any dependents are going to live in. So this excludes buying an investment property; this also excludes buying commercial property and that's pretty obvious because this is a "VA Home Loan Guaranty".

Along with the Certificate of Eligibility, you will need to qualify for the loan. So now you're probably thinking... "but I thought this was a VA Loan Guaranty". Yes it's a loan guaranty, however the guaranty helps protect the lender from loss if the borrower does not repay the loan; we'll discuss qualifying for the loan a little later.

Just know that as a borrower you will reap the benefits of using this type of loan and here are some great reasons for you to consider:

- ◆ You don't have to be a first time home buyer
- ◆ If you've had a previous foreclosure you can qualify
- ◆ If you've had a previous bankruptcy you can qualify
- ◆ The home you're purchasing will only need to meet minimum inspection requirements to establish the home as clean, structurally sound and generally safe for occupancy.
- ◆ The VA will set closing cost limits that a Veteran can pay
- ◆ It's an assumable mortgage to qualified buyers
- ◆ No mortgage insurance which can save you \$50 to \$100 or more in monthly payments.
- ◆ The loan is reusable
- ◆ There is absolutely NO DOWNPAYMENT which allows a Veteran a better opportunity to purchase a home without having to put a large sum of cash towards the purchase price and loan.
- ◆ You'll have access to a full and dedicated VA staff to assist you should you fall behind on your loan.

Let's expand and explain some of these benefits. If you're thinking that there has got to be a catch to the no down payment, I'd like to reassure you that there isn't. The VA does not set limits on how much you can borrow either. So basically since the federal government is backing or guaranteeing the loan should you default, the lender has some reassurance that they will get some type of payment and that usually amounts to 25% of the purchase price of the home. As you can see it's almost as if a down payment has been made on your behalf in the form of a 25% loan guaranty.

You will save even further over the life of your loan without having to pay a mortgage insurance premium. What is a mortgage insurance premium you ask? Well simply stated, a Mortgage

Insurance Premium or (MIP) on FHA loans is usually required when a borrower's down payment is less than 20%. The MIP is charged to the borrower and reduces the lender's risk thus allowing the borrower to qualify for the loan that they otherwise may not qualify for; this MIP protects the lender should the borrower go into default.

As an example:

A. Home purchase price:	\$150,000
B. FHA Required Down payment:	3.5% = \$5,250
C. A – B = Mortgage Amount of	\$144,750
D. Upfront MIP of 1.75% =	\$2,533.13
E. FHA MIP $.85 \times \text{Base Mortgage}/12 =$	\$102.53

In the above example, a borrower would pay a down payment of \$5,250, \$2,533.13 in upfront MIP charges totaling \$7,783.13 and an additional \$102.53 per month in FHA MIP charges; a borrower will continue to pay the MIP until there is 20% equity in the home. With a VA guaranty home loan you don't have to worry about any of these additional charges. Are you starting to see the benefits?

Additional savings are made because of the VA limits on closing costs. Although lenders can charge a flat 1% loan origination fee to cover mortgage origination and processing fees they can opt out of the flat rate and separately list and itemize for charges so long as the sum total does not go over 1% of the loan amount. Although the VA prohibits you from paying for certain closing costs someone will have to pay for these costs; it's just not you!

Of course sellers don't have to pay a dime towards a VA buyer's closing costs but these terms will be negotiated and if you're working with me, they'll be negotiated in your favor. I'll work towards negotiating with the seller to pay all of your loan related closing costs; these costs may include origination fees, required inspections and other charges.

If the purchase price is right we can even get the seller to cover up to 4% of the purchase price in seller concessions and these costs don't have to be related to the cost of the mortgage. Some items that can be covered are:

- ◆ Prepaid Homeowner's Insurance
- ◆ Prepaid Taxes
- ◆ Points on interest buy downs
- ◆ Gifts or items like furniture, electronics and appliances
- ◆ VA Funding Fee
- ◆ Credit balance payoff or judgments on the VA buyer's behalf

All this takes careful negotiations and all home purchase negotiations are different; as a Realtor® I'll help you to maximize your VA Home Loan Guaranty so that you get the most for your money without losing the deal.

VA Funding Fee

I mentioned in the previous list about what items can be paid for using a 4% seller concession and specifically I want to talk about the VA Funding Fee.

Any Veteran using the VA Home Loan Guaranty benefit is required to pay a funding fee. The fee goes to cover current and future losses on VA borrowers who for whatever reason may have defaulted on their loans. Although there are different fees that might be paid, if you're using your VA loan benefit for the first time you can count on paying a minimum of 2.15% of the purchase price of the home. But remember that this amount does not have to come directly out of your pocket. This fee can be rolled into your mortgage and once again keep the out of pocket expenses to purchase your home to zero or to the bare minimum. Of course you have the option to pay it at the time of closing reducing the amount you borrow.

If you have a service connected disability or are the surviving spouse of a Veteran who died in service or from a service related disability then you can apply for an exemption from the Funding fee. This will save you \$1,075 for every \$50,000 spent to buy your home.

Qualifying for A VA Home Loan

Remember that the VA Home Loan Guaranty is a reassurance to the lender that the federal government will protect the lender's interest should a Veteran homeowner default on their loan.

With this being said, you will need to qualify for a mortgage and your credit score and history will play a big part in whether you'll qualify and for how much. Some things for you and any co-borrowers to consider:

- ◆ Good work history and steady income
- ◆ Satisfactory credit
- ◆ The VA suggests that borrower(s) have no more than 41% debt to income ratio and income to cover reasonable living expenses.
- ◆ Other loan requirements may apply but along with the lender, we'll help in getting you qualified.
- ◆ The lender is on your side and wants to get you pre-qualified. Once you are, they'll have a pretty good snapshot picture of your finances and more importantly we'll know exactly your budget.

That's it. It's that simple. So how do you qualify... that's easier than you might think. Just contact me by phone or text... right now if you want to... 856-498-6444. I'll connect you to one of our lender's that will start the confidential process. I'll guide you every step of the way because as a former United States Air Force serviceman I genuinely want to help you.

What Can You Expect After Pre-qualifying

This is where we really hit the ground running! Honestly it's my favorite part of the process and with a prequalification letter in hand from a lender, you'll be taken more seriously when looking at homes in your price range; honestly, you won't even be able to tour any homes without being pre-qualified first. I know that when I'm representing a seller this is the first thing I ask for from any buyer or buyer's agent. Like yours, my time is valuable and I choose to

spend it with people that have a mutual respect for time because we're just "spinning our wheels" if we don't know what a buyer can afford.

I want to be clear that you're in the driver's seat and I'm working on your behalf; yes I work for you because I'll represent you and your best interests. You'll tell me how much you want to spend on your home and just because the lender says they will loan you a certain amount doesn't mean you have to borrow the full amount.

Let's talk more about the actual home buying process...

Home Buying 101 – 5 Steps

Having over 18 years of real estate experience I will be your guide during the house hunting process; with access to every single home and condo for sale in South Jersey, there is no doubt that I can find you what you're looking for and in the shortest amount of time.

Step One: Your New Home Search

We'll start with you telling me what it is you're looking for and where you would like to live; you'll want a clear objective regarding the style or type of home you're interested in and how many bedrooms and bathrooms you would like. I'll need to know your complete wish list so that I can come up with the right home to meet most of your needs. Yes, most of your needs as a lot of homes will have some of what you want but they won't have everything you're looking for. What is important is to break it down to what you must have in a home and what you would like to have in a home. Once you know what you're looking for we will start the search. According to the National Association of REALTORS Profile of Home Buyers and Sellers, 2010 nearly 90% of home buyers use the internet to search for homes and an average buyer will search for 12 weeks. 81% of buyers stated that real estate agents are very useful with the home search.

Once you have determined the homes you would like to see, I will schedule the appointments. You'll want to bring a notepad and

take pictures of the homes you tour; this is helpful so that you can weigh the pros and cons of each home you've seen. Some homes look great on paper but once you see the actual property you'll be able to note the physical condition and quality of materials and this will definitely vary from home to home.

Step Two: Offer to Purchase

Once you have found the home you like, you'll be making an offer to purchase. I'll help you to determine a sales price and include clauses for closing / settlement date and when you will take possession; for this area a buyer most often takes possession of a home the same day of settlement. We'll also include the necessary clauses for seller concessions and deposit monies. The deposit money is considered a good faith deposit and we usually request a minimum of \$1,000 however some seller's and their agents require a little more of a deposit to demonstrate the buyer's commitment to the home purchase. The deposit is held in a non-interest bearing escrow account. It's understood that the deposit is to be used towards the purchase of the home, however you'll be using the VA Home Loan Guaranty so in all likely hood you'll be refunded the deposit at settlement.

I'll present the offer directly to the seller or their agent. At that point they will have approximately three (3) days to accept, reject or counter the initial offer. Should the seller counter offer, you will have a set amount of time to respond with an acceptance, rejection or counter offer. The negotiations will continue until a mutual agreement is made and sometimes no agreement terms can be made and you simply move on to find another home.

Should the seller agree to the offer to purchase terms, we'll draw the contracts and have all parties sign. The state of New Jersey requires a "Three Day Attorney Review". Basically this means that you have an opportunity as well as the seller to take the written and signed contract to an attorney for their review. This is not required, however in order for you to cancel the contract it must be done during the three day attorney review. The three day counting time refers to business days and starts at midnight of the business day

that all parties have received a signed or fully executed copy of the contract; this time excludes national holidays and weekends.

Step Three: Mortgage Approval

Your lender will receive a copy of the contract and will begin the process of having you approved for the loan. At this point you'll be finalizing the loan details and the lender will examine your mortgage application using a mortgage underwriting process.

The lender will verify your ability to repay the loan by verifying your income, debts and borrowing history. They will also conduct a VA appraisal to confirm the property's general market value and whether it is worth the agreed upon sales price. Be aware that the VA Appraisal is not a home inspection.

Once the appraisal is completed the lender will review it to ensure it meets their underwriting requirements and that its market value is enough to substantiate the agreed upon sales price and home loan. Should the value not be enough you have a few options:

- ◆ We may provide recent and comparable sales information to the lender so the appraiser can reconsider their initial assessment of the property's market value.
- ◆ Ask the seller to reduce the sale price
- ◆ As the buyer you have the option to pay the difference in case at settlement.

Step Four: Inspections

There will be several inspections done well before the final purchase of your new home and these inspections can have an effect on you moving forward and buying the home.

As stated before, the VA will conduct an independent appraisal of the property. This is not a full and comprehensive inspection of the home because the main focus of the appraisal is to determine a home's fair market value. The appraiser will also ensure that the home meets the minimum property requirement in regards to health and safety standards. This is important because the VA requires

that you purchase a home that is safe, sanitary and structurally sound.

A “Home Inspection” might be a good idea as it may reveal any major and minor things that need to be fixed. A trained and certified home inspector will be looking at a lot of things and what they find can help you so long as you have a “Home Inspection Contingency” clause in the offer / contract. This will assist in renegotiating the contract in order to fix the problems or the seller may agree to reduce the price of the home. If the issue is much more complex, you can opt to cancel the contract. The home inspection fee can range from as little as \$300 to over \$500; this is an expense that you will pay for but sometimes it’s worth it.

Generally, lenders have their own inspection requirements in addition to the VA requirements. These inspections include but are not limited to water test, septic certification and termite inspection.

Once all inspections have been completed and any repairs that were required are taken care of, you can move on to the final step.

Step Five: Settlement and possession

Settlement is when you sign your mortgage documents and take possession of your new home. It’s at this time that a transfer of funds will be made to purchase the home via your loan. Most if not all of your costs like your funding fee will be rolled into the mortgage and without having to make a down payment you can use that money as a reserve for emergencies or home improvements.

You’ll be given a closing disclosure by the lender. The loan disclosure:

- ◆ Is required by law
- ◆ Is given to you three (3) days prior to your settlement date
- ◆ Allows you to review your loan terms and costs
- ◆ Allows you to ask question of your lender before settlement

Settlement will take place at an escrow office, Title Company, attorney’s office or the buyer’s real estate office. You’ll be signing a

lot of paper work during settlement and I'll be there to assist you along with the escrow / title agent and your lender's representative; every step and document will be explained to you for clarity and it really is a smooth process that shouldn't take longer than one hour!

This is a lot of information to take in but as a Realtor® it's my job to guide and navigate you through the process and ensure that your best interests are being met.

What's next? If you found this information helpful and you would like to schedule a time to meet, let's do that. The process of buying a home using your VA benefits will take a little time to prepare but there is no reason why you shouldn't be in your new home in as little as 60 days provided you take the necessary steps to make it happen.

What's the best way to reach me? Just text me... right now!

856-498-6444

Or

Email me:

bill@kapitalmrealty.com

Links to forms and Websites

Applying for a COE

After gathering the evidence you need, you can apply for your Certificate of Eligibility (COE) in the following ways.

For Service members, Veterans, National Guard and Reserve Members

Apply online

To get your Certificate of Eligibility (COE) online, go to the [eBenefits portal](#). If you already have login credentials, click the Login box, and if you need login credentials, please click the Register box and follow the directions on the screen.

If you need any assistance please call the eBenefits Help Desk at 1-800-983-0937. Their hours are Monday-Friday, 8am to 8pm EST.

Apply through your lender

Our lenders have access to the Web LGY system. This Internet-based application can establish eligibility and issue an online COE in a matter of seconds. Not all cases can be processed through Web LGY - only those for which VA has sufficient data in our records. If you would like to use this method of obtaining a certificate, text me for more information. 856-498-6444

Apply by mail

Use [VA Form 26-1880, Request for Certificate of Eligibility](#)

Surviving Spouses

If you're a surviving unmarried spouse, you can take the VA form 26-1817 to one of our lenders for processing (see Apply Through Lender above) or may mail the 26-1817 and DD214 (if available) to the following address:

[Download VA Form 26-1817, Request for Determination of Loan Guaranty Eligibility - Unmarried Surviving Spouses](#)

If you can't print the form, just email it to me and I can mail it for you. Just remember that we may be able to assist you right from our office saving you a lot of time.

Send the completed form to:

**VA Loan Eligibility Center
Attn: COE (262)
PO Box 100034
Decatur, GA 30031**

Requesting your DD214

You can submit your request online using eVetrecs. Click the following link:

[Request Online Using eVetrecs](#)

To request a copy of your DD214 by mail or fax, click the following link and follow the instructions you'll be using Standard Form 180 (SF-180). Click the following link to download the form:

[Download VA Form SF-180](#)