

Bob Pirrung-

I joined the Army in January, 1958, served on active duty at Fort Knox and Ft. McClellan, active reserves in Roanoke, Va., and received my Honorable discharge on December 31, 1963.

VA loans are obtained through a lender of your choice once you obtain a Certificate of Eligibility (COE). You can obtain a COE through [eBenefits](#), by mail, and often through you lender. [Learn More](#)

Determine your category and the evidence you will need when applying.

Category	Evidence To Apply
Veteran	
Current or former National Guard or Reserve member who has been 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). A current statement of service: <ul style="list-style-type: none">signed by (or by the direction of): the adjutant, personnel office, or commander of the unit or higher headquartersshowing: Your full name Social Security Number Date of birth Entry date on active duty The duration of any lost time The name of the command providing the information
Active Duty Service member	
Current National Guard or Reserve member who has never been Federal active service	Statement of service: signed by (or by the direction of): the adjutant, personnel officer or commander of your unit or higher headquarters showing: Your full name Social Security Number Date of birth Entry date on duty The total number of creditable years of service 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're already receiving Dependency and Indemnity Compensation (DIC), you don't need to send any documents.

If you don't receive DIC, please send us

Surviving spouse of a Service member who died on active duty

- A copy of the DD Form 1300 (Report of Casualty) from the military
- A copy of your marriage certificate

It would be a good idea to add a simple signed statement saying that you would like to apply for DIC. If you qualify for the home loan benefit, you probably qualify for monthly payments under DIC.

Put the Service member's Social Security number on all documents.

If you're already receiving Dependency and Indemnity Compensation (DIC), send us a copy of your award letter. (Generally, you will already have a record on file at a VA regional benefits office.)

If you don't receive Dependency and Indemnity Compensation (DIC), please send us

Surviving spouse of a Veteran who died as a result of military service

- A copy of the Veteran's DD Form 214
- A copy of the Veteran's death certificate
- A copy of your marriage certificate

We recommend that you add a simple signed statement saying that you would like to apply for DIC. If you qualify for the home loan benefit, you probably qualify for monthly payments under DIC.

Put the Veteran's Social Security number on all documents.

Applying for a COE

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

Service members, Veterans, and National Guard and Reserve Members

Apply online

To get your Certificate of Eligibility (COE) online, please 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

Most 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. However, Veterans are encouraged to ask their lenders about this method of obtaining a certificate.

Apply by mail

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

Surviving Spouses

Spouses must apply by mail using [VA Form 26-1817, Request for Determination of Loan Guaranty Eligibility - Unmarried Surviving Spouses](#). If your Veteran spouse died after service, VA must determine that the death was due to a service-connected disability. Please allow 2-3 months for this process unless you know that the decision on service-connected death has already been made.

If you can't print the form, just call 1-888-768-2132 and follow the prompts for Eligibility and we will mail the form to you.

Send the completed form to:

VA Loan Eligibility Center

Attn: COE (262)

PO Box 100034

Decatur, GA 30031

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The most concise resource available for determining VA program availability and eligibility is the Federal Benefits for Veterans, Dependents & Survivors Booklet. Although called a "booklet," this manual is fairly robust at nearly 200 pages long, and it can be found online in its entirety at: <http://www.va.gov/opa/publications/benefits/book.asp>.

FINANCING OPTIONS

Introduction

One site that provides information to members of the military family and service providers is *MilitaryHOMEFRONT*, which is the Department of Defense website for official Military Community and Family Policy (MC&FP) program information, policy and guidance designed to help troops and their families, leaders, and service providers. This website can be found at <http://www.militaryhomefront.dod.mil/MOS/?p=MHF:HOME:O>.

Military-Specific Terminology

VA Certificate of Eligibility

This document is what specifies the amount of guaranty, entitlement, or eligibility the Veteran has available. This form is also known as VA Form 26-8320. VA lenders will multiply the amount listed on this form by four to determine the amount of 100% loan that is available to the veteran, assuming the veteran qualifies for that amount using VA guidelines.

VA Certificate of Reasonable Value (CRV)

This is the VA property appraisal that is issued by a VA-approved appraiser indicating the market value of the property and any repairs that must be completed prior to closing. CRVs on existing properties are valid for a period of six months; CRVs on proposed properties are valid for a period of twelve months. A veteran may pay more for a home than what is stipulated as "value" on the CRV; however, the Veteran must acknowledge they are willing to do so, in writing and that the dollar amount above the CRV will be paid from their own non-borrowed and documented funds.

The Veterans Benefits Act of 2004 was signed by the President on December 10, 2004, raising the Department of Veterans Affairs loan limit by 40%. The bill, 5.2486, allows lenders to make VA guaranteed loans up to the Fannie Mae/Freddie Mac loan limit of \$417,000.

Note: Some high cost areas allow for larger loan amounts and indexes the VA loan limit to the conforming loan limit.

VA Home Loan Guaranty - Overview

VA Home loan guarantees, often referred to simply as "VA Home Loans," are designed to protect lenders in situations when borrowers are unable to pay back a loan. Having a loan guaranty allows a veteran borrower a higher chance of qualifying for the loan, since the lender knows they have insurance should the veteran default. The opportunities for active duty service men and women, and veterans to buy a home are increasing as interest rates are dropping and VA loan awareness is high.

According to one source, 62% of the adult population of the United States is veterans or active duty military and nearly 40% of them have not used any of their entitlement to buy a home using 100% VA financing. In some cases; the veteran may believe their eligibility has expired but hasn't, believe they could use the benefit only once - but he or she can use the benefit more than once pending re-instatement; or may see the amount of \$36,000 listed on the Certificate of Eligibility and think that there are no homes available for \$36,000 and "not bother" exploring this option. In reality, the \$36,000 is the amount of the guaranty that the VA will give to the lender to cover the risk of the 100% loan to the veteran for the sales price of the house. The lender will multiply the guaranty or eligibility amount for four to arrive at a maximum loan amount, in this case \$144,000. The Veterans Benefits Act of 2004 provides all veterans an eligibility amount of \$104,250 allowing a qualified veteran to borrow up to \$417,000 for their own-occupied home.

To be eligible for a VA loan, service members, active, separated, or retired, must meet eligibility requirements. Eligibility is based on duration of service. To be eligible, an individual must be active or other than dishonorably discharged, and must meet one of these four criteria:

Active duty people serving 90 continuous days (until the Gulf War period is ended)

If you served less than 90 days, you may be eligible if discharged for a service-related disability.

Additionally, the following may qualify:

Un-remarried spouse Eligibility based on spouse's basic qualification

Spouse of POW/MIA Eligibility based on spouse's basic qualification

Members of the Reserves and National Guard

Upon completion of 6 years of service unless called to active duty then 90 days

Other eligibility requirements to obtain a VA loan include:

- The applicant must be an eligible veteran who has available entitlement.
- The loan must be for an eligible purpose.
- The veteran must occupy or intend to occupy the property as a home within a reasonable period of time after closing the loan.
- The veteran must be a satisfactory credit risk.
- The income of the veteran and spouse, if any, must be shown to be stable and sufficient to meet the mortgage payments, cover the costs of owning a home, take care of other obligations and expenses, and have enough left over for family support.

Another vital resource is the site www.homeloans.va.gov. This provides VA loan guaranty forms in addition to updated information.

Veterans can finance their funding fee (VA Mortgage Insurance) in their loan, but in no event can the loan exceed the current maximum of \$417,000. The loan maximum may be up to 100% of the VA determined value, usually not to exceed \$417,000 (US mainland or \$625,000 for Alaska, Guan, Hawaii, or US Virgin Islands). Usually loans of this nature require no down payment when used to purchase a home. There is no maximum VA loan but lenders will generally limit VA loans to

the \$417,000. This is because lenders sell VA loans in the secondary market, which currently places a \$417,000 limit on the loans.

Lenders must meet VA and secondary market requirements and have a minimum of 25% coverage or guaranty when the lender grants the loan to have it saleable in the secondary market. For example, according to VA Circular 26-04-12, the law changes the maximum guaranty amount of \$60,000 for certain loans in excess of \$144,000 to an amount equal to 25% of the Freddie Mac conforming loan limit determined under Section 305(a)(2) of the Federal Home Loan Mortgage Corporation Act for a single family residence, as adjusted for the year involved. To illustrate, the maximum guaranty for 2013 would be \$104,250 which is 25% of the Freddie Mac (FHLMC) conforming loan limit for a single family home of \$417,000.

- Equal opportunity for all qualified veterans to obtain a VA loan.
- 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).

The VA will allow the veteran to finance the funding fee in their loan amount, which is the equivalent of PMI on a conventional loan.

- Closing costs are comparable with other financing types (and may be lower).
- No mortgage insurance premiums.
- An assumable mortgage.
- Right to prepay without penalty. VA assistance to veteran borrowers in default due to temporary financial difficulty.

VA loans do not do the following:

- Guarantee that a home is free of defects. VA guarantees only the loan. It is the veteran's responsibility to assure that he/she is satisfied with the property being purchased. The VA appraisal is not intended to be an "inspection" of the property. A veteran should seek expert advice (a qualified residential inspection service), as necessary, BEFORE legally committing to a purchase agreement.
- If a veteran has 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 a veteran is making a good investment.
- VA cannot provide a veteran with legal services.

Veterans can pursue a VA home loan guaranty if the loan they want is for any or more following reasons:

- Buy or build a home
- Buy a residential condominium unit
- Buy a residential cooperative housing unit (1-4 units and occupy 1 as principal residence)
- Repair, alter, or improve a residence owned by the veteran and occupied as a home
- Refinance an existing home loan
- Buy a manufactured home and/or lot
- Install a solar heating or cooling system or other energy efficient improvements

According to a VA home loan fact sheet; there are six steps to begin the VA loan application process:

1. Find the property suitable for your needs.
2. Identify a VA-approved lender and apply for the loan.
3. Present discharge/separation papers relating to the latest period of service and/or a Certificate of Eligibility.

A veteran who doesn't have a certificate can obtain one easily by completing VA Form 26-1880, Request for a Certificate of Eligibility for VA Home Loan Benefits and submitting it to one of the Eligibility Centers with copies of their most recent discharge or separation papers covering active military duty since September 16, 1940, which will show active duty dates and type of discharge.

4. Get the property appraised by the VA. (Usually this is done by the lender.) Most VA regional offices offer a "speed up" telephone appraisal system. Call the local VA office for details.
5. Estimate of property's reasonable value is determined.
6. Finalize the loan. If the application is approved, the veteran receives the loan. While the appraisal is being done, the lender (mortgage company, savings and loan, bank, etc.) can be gathering credit and income information. If the lender is authorized by VA to do automatic processing, 'upon receipt of the VA or LAPP appraised value determination, the loan can be approved and closed without waiting for VA's review of the credit application. For loans that must first be approved by VA, the lender will send the application to the local VA office, which will notify the lender of the decision.

VA Home Loan Guaranty Basics

A VA loan is a mortgage loan, made by an institutional lender (not the VA, which only guarantees the loan to the lender) to an eligible veteran. The veteran may borrow up to 100% of the purchase price of an owner-occupied principal residence.

According to IIVA-Guaranteed Home Loans for Veterans" (available at http://www.benefits.va.gov/homeloans/docs/vap_26-4_online_version.pdf), the VA will guarantee loans to purchase homes made with the following repayment plans, down payment requirements, interest rates, and closing costs.

Repayment Plans

Traditional Fixed-Payment Mortgage: This type of mortgage loan calls for equal monthly payments for the life or term of the loan. Each monthly payment reduces a certain portion of the principal owed on the loan and pays interest accrued to date.

GPM (Graduated Payment Mortgage): This repayment plan provides for smaller-than normal monthly payments for the first few years (usually 5 years), which gradually increase each year, and then level off after the end of the "graduation period" to larger-than-normal payments for the remaining term of the loan. The reduction in the monthly payment in the early years of the loan is accomplished by delaying a portion of the interest due on the loan each month and by adding that interest to the principal balance.

Buy downs: The builder of a new home or seller of an existing home may "buy down" the veteran's mortgage payments by making a large lump-sum payment up front at closing that will be used to supplement the monthly payments for a certain period, usually 1 to 3 years.

GEM (Growing Equity Mortgage): This repayment plan provides for a gradual annual increase in the monthly payments with all of the increase applied to the principal balance.

The annual increases in the monthly payment may be fixed (for example, 3 percent per year) or tied to an appropriate index. The increases to the monthly payment result in an early payoff of the loan in about 11 to 16 years for a typical 30 year mortgage.

ARM (Adjustable Rate Mortgages): ARM loans are typically made at an initial interest rate lower than market rate; however the interest rate can be adjusted - up or down – during the life of the loan. A one year ARM allows for annual adjustments of no more than 1% and a lifetime cap of 5%. Hybrid ARM loans allow for an initial fixed rate for a period of at least 3 years, followed by annual adjustments. Depending on the length of the fixed rate period, the initial adjustment can be up to 2 percent and the lifetime cap is either 5 percent or 6 percent.

NOTE: Veteran borrowers who use the one year ARM must qualify at the 2nd year rate (fully indexed). Also, the one year and the 3-1 "hybrid) ARM will have 1% initial cap adjustment, off the beginning rate, and the life cap being 5% off the beginning rate. However, the 5-1 "hybrid" ARM will have a 2% initial cap adjustment off the beginning rate, with the life cap being 6 % off the beginning rate, and all VA ARMS will use the "1 year T Bill" as the Index value (C.M.T./1 year) as rate adjustments are made. The Authority to Guarantee the Adjustable Rate ARM'S was extended to September 30, 2012.

Down Payment Requirement

Traditional Fixed-Payment Mortgage, Buy down Loans, and Growing Equity Mortgage: VA does not require a down payment if the purchase price or cost is not more than the reasonable value of the property as determined by VA, but the lender may require one. If the purchase price or cost is more than the reasonable value, the difference must be paid in cash from your own resources.

Graduated Payment Mortgage: The maximum loan amount may not be for more than the reasonable value of the property or the purchase price, whichever is less. Because the loan balance will be increasing during the first years of the loan, a down payment is required to keep the loan balance from going over the reasonable value or the purchase price. The interest rate on VA loans can be negotiated based on prevailing rates in the mortgage market. Once a loan is made, the interest rate set in the note will stay the same for the life of the loan. However, if interest rates go down, and the veteran still owns and occupies (or previously occupied) the property securing a previous VA loan} the veteran may apply for a new VA loan to refinance the previous loan at a lower interest rate without using any additional entitlement.

Closing Costs

The cost of obtaining any mortgage can be quite a lot. VA regulates those closing costs that a veteran may be charged in connection with closing a VA loan. No commission or brokerage fees may be charged to the veteran for obtaining a VA loan. However, he or she may pay reasonable closing costs to the lender in connection with a VA-guaranteed loan. Although some additional costs are unique to certain localities, the closing costs generally include VA appraisal, credit report, survey, title evidence, recording fees, a 1 percent loan origination fee, and discount points. The closing costs and origination charge may not be included in the loan, except in VA refinancing loans. In addition to negotiating the interest rate with the lender, veterans may negotiate the payment of discount points and other closing costs with the seller. Often, sellers will consider paying some or all of the discount points required by the lender in order to complete the sale. This can have a big impact on the amount of cash you must pay out of pocket in order to complete the purchase. If the seller will not consider paying points, the veteran may be able to negotiate an interest rate with the lender which is sufficient to avoid the need to include any discount points in the transaction.

This DD-214, coupled with a signed VA Form 26-1880 is what is submitted to the Veterans Administration, in order to obtain the veteran's certificate of eligibility, needed by the lender to obtain guaranty on that VA loan.

If a veteran's records are "lost", they can locate them through the National Personnel Records Center (NPRC) which is in St. Louis, MO. The address for NPRC is:

1 Archives Drive

St. Louis, MO 63138-1002

Military separation documents include DD-214 from 1950 to present and WD Form 5355 (War Department) and other variations prior to 1950. These documents provide the full history of the veteran's active duty service. The preferred way to obtain these records is to access:

<http://www.archives.gov/veteransmilitary-service-records>.

Another way, (as a last resort) is to access Form 180, have the veteran complete and sign it, then mail it to the NPRC in St. Louis. To obtain Form 180 go to <http://archives.gov/militaryservice-Recordsjstandardform-180.html>

Note: Since there is no uniform document similar to the 00214 for proof of service in the Selected Reserve, a number of different forms may be accepted as documentation of service in the Selected Reserve. For those who served in the Army or Air National Guard and were discharged after at least six years of such service, NGB Form 22 may be sufficient.

Those who served in the Army, Navy, Air Force, Marine Corps or Coast Guard Reserves may need to rely on any of a variety of forms that document at least 6 years of honorable service.

Often, it will be necessary to submit a combination of documents such as an Honorable Discharge certificate together with a retirement point's statement. It is the reservist's responsibility to obtain and submit documentation of six years of honorable service.

A Request for Certificate of Eligibility, VA form 26-1880 will be completed with the requested data exactly as stated on the DO-214. Both forms will be forwarded to:

VA Eligibility Center

P.O. Box 20729

Winston-Salem, NC 27120

If necessary, documents may be sent using overnight courier services to:

VA Eligibility Center

251 North Main Street

Winston-Salem, NC 27155

Eligibility Center follow-up: 1-888-244-6711.

When the documents have been properly completed, the veteran should allow 5-8 days for a "First Time Request" and 10-21days for Restoration or Reinstatement of VA Benefits. For the latter, the veteran should include a HUD-1 on the previous property that was encumbered by a VA loan indicating the lender's loan was paid in full, to save time in updating and restoring the veteran's benefits.

VA Home Loan Application Process

Determine Eligibility for Partial Guaranty Loans

Veterans, who have already used some of their guaranty when they purchased a home, may have some remaining entitlement, which may be enough to purchase another home, even though the previous loan is still outstanding, due to the benefits constantly being updated for Veterans!