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# RE73R22: Veterans Affairs (VA) Loans

## Objective:

Provide an understanding of the VA loans for real estate licensees.

*Always check current VA guidelines.*

## SERVING OUR MILITARY

There are 17.9M+ veterans living in the United States<sup>1</sup>

1 in 3 Veterans are unaware of their VA home financing benefits\*

**Our goal is to educate** our active military and Veterans on how they can achieve homeownership.

### A VA Loan is

- Loan issued by approved lenders and guaranteed by the VA
- This benefit is earned through military service.

<https://www.data.va.gov/stories/s/VetPop2023-Data-Story/yr7p-v5my#:~:text=Highlights%3A,FY%202024%20and%20FY%202053.>

\*Source: <https://news.va.gov/19931/va-busts-four-home-loan-myths-that-hurt-veteran-homebuyers/>

1. <https://www.data.va.gov/stories/s/VetPop2023-Data-Story/yr7p-v5my#:~:text=Highlights%3A,FY%202024%20and%20FY%202053.>



## VA LOAN OPTIONS

### Loan types

- Purchases:
  - 30 – 20 – 15 Year Terms
  - Fixed Rate Mortgages
  - 5/1 Adjustable Rate Mortgages (ARM)  
(Purchases Only)
  - VA Rehab Loans
  - Native American Direct Loans
- Refinances:
  - Interest Rate Reduction Refinance Loan (IRRRL)
  - Cash-Out Refinance
  - VA Rehab Loans as a refinance
- Native American Direct Loans:
  - Either Veteran or spouse is a Native American – purchase or refinance on property on land in a Federal Trust.



Applicant subject to credit and underwriting approval. Not all applicants will be approved for financing. Receipt of application does not represent an approval for financing or interest rate guarantee. Refinancing your mortgage may increase costs over the term of your loan. Restrictions may apply.

Guaranteed Rate, Inc. is a private corporation organized under the laws of the State of Delaware. It has no affiliation with the US Department of Housing and Urban Development, the US Department of Veterans Affairs, the Nevada Department of Veterans Services, the US Department of Agriculture, or any other government agency. No compensation can be received for advising or assisting another person with a matter relating to veterans' benefits except as authorized under

## ADVANTAGES OF VA LOANS

No pre-payment penalty  
is ever charged

- Streamlined refinance
- Refinance quickly and easily
- Cash-Out Refinance\*
- Up to 100% loan to value

\*Using funds from a Cash-out Refinance to consolidate debt may result in the debt taking longer to pay off as it will be combined with borrower's mortgage principle amount and will be paid off over the full loan term. VA Cash-out Refinance not available in Texas. Guaranteed Rate has no affiliation with the US Department of Veterans Affairs. Contact Guaranteed Rate for more information.



## SOME CHARACTERISTICS OF A VA LOAN

- Assumable Loan
  - VA loans can be assumed by servicemembers and veterans as well as those who have never served.
  - The buyer must meet the lender's credit and income requirements.
  - The buyer must pay the funding fee, which is typically 0.5% of the loan amount for assumption
  - Can only assume the amount of the VA loan owed.
- Funding Fee
  - paid directly to the VA for all veterans who are not more than 10% disabled or a purple heart recipients - these are rolled into the loan amount and paid by the Veteran/Borrower



## What are the key differences in debt-to-income and credit requirements compared to other loan types

- Higher debt-to-income ratios
- Lower Credit scores for competitive rates
- No Mortgage Insurance regardless of the downpayment





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**POP QUIZ**

**What is the oldest branch of the United States Military?**

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## VA Eligibility

## VA ELIGIBILITY

### Who can use VA loans?

- Veteran
- Veteran + Spouse
- Veteran + Veteran
- Some Surviving Spouses
- Veteran + Non Veteran = 12.5% down payment



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## VA ELIGIBILITY

### Eligible borrowers

- Active Duty
  - 90 days of war-time service or 181 peacetime service
- National Guard Members & Reservists
  - 6 years of service if never activated
- Surviving spouses
- Veteran who serviced less than required term but was discharged due to service connected to disability

### Residence requirements

- Must be owner-occupied
- Primary residence for one year



## VA ELIGIBILITY

### Eligible Income

- Eligible VA borrowers must have one or more of the following:
  - W-2
  - Form 1099 (Self-employed)
  - Retirement Pay
  - VA Disability Pay

### Ineligible Income

- The following is NOT considered income:
  - Educational stipends (Post 9-11) GI Bill)
  - Unemployment benefits
  - Anything not declared as income to the IRS



## LOAN QUALIFICATION

- VA requirements -- need approved COE
- Residual income -- the amount of money left over each month after all debts, taxes, and housing expenses are paid
- LES statement (usually for active duty or national guard)
- No loan maximum anymore (need to qualify for the loan) – Veteran Health Care and Benefits Improvement Act – Effective Jan 2021
- No down payment
- VA Funding Fee (has exceptions)
- Gifts allowed
- Lender overlays
- Loan is made by approved lenders who can set their own criteria (DTI, Credit score, down payment, or other)
- Loan can be used more than once

**LOAN PROCESS**

Loan application

Certificate of Eligibility (COE) –  
DD214

2 years signed tax returns

Pay stubs or LES

Possibly:

- Bankruptcy documents
- Divorce decree if paying child support

Underwriting

Conditional commitment

Appraisal

Who can appraise?

- Property value and MPR
- Tidewater, with 48 hrs review possibility
- Escape Clause Part 1 and Part 2

## VA ELIGIBILITY

### Certificate of Eligibility

Obtaining your Certificate of Eligibility (COE) is step 1 of the VA loan process. This important document is necessary when using your VA Home Loan benefit to buy, build, or refinance a home.

This form shows the military borrower's entitlement, which means the amount the VA guarantees for a qualified veteran. It can allow multiple VA loans if prior entitlement is restored or partial entitlement remains.

Start your VA loan journey with ease. We simplify the process by automatically obtaining your Certificate of Eligibility (COE) – one less step for you to worry about.

You are not automatically approved for a VA mortgage once we receive your COE. You must still qualify with the lender based off applicable requirements. However, this document establishes you as an eligible applicant for VA loan benefits.



**VA** Department of Veterans Affairs **CERTIFICATE OF ELIGIBILITY**  
**REFERENCE NUMBER** FOR LOAN GUARANTY BENEFITS  
 NAME OF VETERAN SERVICE NUMBER  
 SOCIAL SECURITY NUMBER

ENTITLEMENT CODE BRANCH OF SERVICE FUNDING FEE

Prior Loans charged to entitlement					
VA Loan Number	State	Loan Amount	Date of Loan	Entitlement Charged	Status

**THIS VETERAN'S BASIC ENTITLEMENT IS \$36,000\***  
**TOTAL ENTITLEMENT CHARGED TO PREVIOUS VA LOANS IS \$0\***

The Veteran is eligible for the home loan benefits of Chapter 37, Title 38, U.S. Code, subject to any condition(s) cited below. Basic entitlement available to a Veteran is \$36,000. Entitlement previously used may be restored when the property is sold, or the loan is paid-in-full. For loans above \$144,000, the maximum amount of entitlement available to a Veteran with full entitlement is 25 percent of the loan amount. For Veterans who have previously used entitlement and such entitlement has not been restored, the maximum amount of entitlement available to the Veteran, is 25 percent of the Freddie Mac conforming loan limit (CLL) reduced by the amount of entitlement previously used (not restored) by the Veteran. CLL loan limits are adjusted annually, and the current limits are available at [www.homeloans.va.gov](http://www.homeloans.va.gov).

Issued By: \_\_\_\_\_ Date: \_\_\_\_\_

**CONDITIONS**

**Funding Fee** - Veteran is exempt from Funding Fee due to receipt of service-connected disability compensation of \_\_\_\_\_ monthly.

**Funding Fee Refund:** If you paid a funding fee at the closing of a VA guaranteed home loan and your VA compensation award provides an effective rating date that was prior to your loan closing date, then you may be eligible for a funding fee refund. Please contact either your current mortgage servicer or a VA Regional Loan Center at (877) 827-3702 to begin the refund process.

Many states offer additional Veterans benefits. To see what is available in your state, visit <http://go.usa.gov/WUq5>. These benefits could include state or local property or vehicle tax relief for certain eligible Veterans.

## VA ELIGIBILITY

### What property types are eligible?

- Owner occupied only for purchases
- 1-4 Family homes or multiplex
- New construction
- Manufactured housing
- Condominium

**All must be inspected by an authorized VA appraiser**

### What property types are ineligible?

- Second Homes
- Investment Properties



## Property requirements for VA loans

- Condition of the property – Minimum Property Requirements – “Safe, Sound and Sanitary”
- Red flag items (Knob and tube, Peeling paint, Handrails)
- Work typically needs to be done before closing, but can be paid/ done by buyer
- Escrow hold back could be used in some cases
- VA loans will require pest inspections report (NPMA-33), cannot be paid by VA borrower (but could be part of regular home inspection at no additional cost)

## SELLER CONTRIBUTIONS SETTLEMENT COSTS

- **What monies can be contributed by the seller**
  - Seller concessions capped at 4% of the loan amount
- **What are eligible seller concessions:**
  - Standard closing costs
  - VA funding fee
  - Prepaid items
  - Debt payoff
  - Discount points
  - Temporary interest rate buydowns
  - Real Estate Commissions
    - VA Buyers can pay Real Estate Commissions with seller concessions or out of pocket. (Aug 10, 2024 – VA changed policy to keep VA buyers competitive in the market (this includes MA))





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# U.S. Military on the Move

WE VALUE YOUR SERVICE, AND WE'D LIKE TO OFFER  
YOU A SPECIAL BENEFIT TO THANK YOU

**U.S. Military on the Move** is a free real estate rebate and information program that allows you to earn cash back when you buy or sell a home through a Jack Conway agent.

Make yourself at home.



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**WE VALUE YOUR SERVICE, AND WE'D LIKE TO OFFER  
YOU A SPECIAL BENEFIT TO THANK YOU**

### **Benefits of working with a MOM agent**

A certified Military on the Move® (MOM) agent helps active-duty and retired military personnel by offering:

- Cash-back rewards – Eligible military buyers or sellers work with a MOM-certified agent, they often receive a rebate at closing, which can mean real savings.
- Expert guidance – Our agents are trained to understand the unique needs, timelines, and stresses that come with PCS (permanent change of station) orders or VA loan requirements.

**Make yourself at home.**

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## WE VALUE YOUR SERVICE, AND WE'D LIKE TO OFFER YOU A SPECIAL BENEFIT TO THANK YOU

- Local and national support – We connect clients to trusted agents at their destination, often within a certified network that ensures a smooth handoff.
- Resource connections – Need a reliable mover, lender, contractor or home inspector? MOM agents often have vetted resources ready to go.
- Relocation know-how – Agents used to the fast pace of military timelines and are proactive in helping service members and their families get settled quickly.

**Make yourself at home.**

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**WE VALUE YOUR SERVICE, AND WE'D LIKE TO OFFER  
YOU A SPECIAL BENEFIT TO THANK YOU**

**Jack Conway can assist you with:**

- Buying and selling your home
- Mortgage financing
- Cost of living comparisons
- Community information
- All your relocation needs
- Insurance
- Move Management Assistance

**What does this mean to you?**

- Quality agents and service, from a top independent broker
- No dollar limit on rebates
- Rebate credited at closing

**Make yourself at home.**



**Proud to be**  
 **U.S. MILITARY  
ON THE MOVE™**  
**Certified**

I can deliver superior  
real estate service to  
eligible service members.  
Contact me today!

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**Thank you!**

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**AIR FORCE**

What is the only branch of the U.S. military to share a name with a best-selling line of Nike sneakers?



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## Advantages of VA Loans

## ADVANTAGES OF VA LOANS

### Advantages to borrowers

- 0% down payment options available
- No Private Monthly Mortgage Insurance
- No income caps
- Reusable - use your VA loan benefits more than once
- 100% Financing up to \$2M

NOTE: No gifts allowed for down payment; no non-owner occupied properties. Must meet minimum required credit score.



## VETERAN & MILITARY REAL ESTATE BENEFITS

- Mass Housing Welcome Home Loans (2015)
- MGL Chapter 115, annuity for 100% disabled veterans, MA residents
- Possible property tax exemption (check with municipality)
- Adaptive Housing



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# The real estate licensee and the VA loan

## The real estate licensee and the VA loan

- Military personal/ veteran is a protected class (MGL 151B). Examples of illegal activities:
  - Discouraging a buyer from using a VA loan
  - Refusing to accept an offer because the buyer is using a VA loan
  - Inquiring about the Veteran/military status of a consumer



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### As a seller agent

- Discuss red flags which could limit potential buyers, but do not make any definitive determination. Final approval up to lender.
- Review offers objectively



## As a buyer's agent

- Refer to competent lender/mortgage broker
- Know the information the lender will need for the residual income calc (property taxes, square footage)
- Understand the red flags for the MPR
- Be prepared to educate listing agent/ seller when presenting offers including a VA loan
- Partner with the lender, Involve lender/ mortgage broker when necessary
- Work with lender to make sure Condominium is approved for a VA loan
- Refer to a competent closing attorney, familiar with VA benefits to assist the buyer in utilizing all their benefits towards reducing their closing cost

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**Monthly Payments &  
Fees Credits**

**Fees & Monthly Payments**

What does my monthly payment include

Your monthly mortgage payment is your combined “PITI”

- Principal
- Accrued Interest
- Property Taxes
- Home Insurance

## Fees & Monthly Payments

### Credits for Veterans – RATE & Jack Conway Clients

- Underwriting Fee - \$1450 (credit/no charge)
- Appraisal Fee - \$600 (credit/no charge)
- Pest Inspection - \$250 (credit/no charge)
- Jack Conway Commission - \$TBD
- Attorney Fee (if using Columbia Title) - \$600 (approx.)

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Myths

**Myths**

What have you heard

Myths

- Appraisals are handled differently/difficult
- VA borrowers are cash poor
- VA loans can only be used once
- VA loans are only used for SFR
- VA loans take longer to close
- VA loans can only be used for Veterans

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Q&A



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