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## TitleTRACK

# Veterans should take advantage of VA home loans

The United States has a long history of providing for veterans dating back to 1636 when pilgrims first provided assistance to veterans of the Pequot war. Today, the United States Department of Veterans Affairs provides a variety of benefits and programs to those individuals that have served our nation.

One benefit that is often overlooked by mortgage professionals and practitioners is the VA home loan program. This home loan program is designed to assist eligible veterans obtain a home for personal use. The program offers advantages that have disappeared from the market since the housing downturn, giving eligible veterans more flexibility to purchase a home.

Who is eligible for the VA program? A common belief is that only active military personnel and recent veterans are eligible for this program. However, all active duty service members, current national guard or reserve military, veterans and surviving spouses of service members who either died while on active duty or died as a result of military service are eligible, regardless of when they served in the military.

A veteran who served in the Korean War is just as eligible today as a veteran who recently served in the Gulf War. Currently, there are over 22.7 million veterans, active duty and reserve service members in the United States who may have eligibility in the beneficial loan program.

There are many advantages to the VA loan program over conventional or FHA home loan products. First, there is no down payment requirement on a VA loan. A veteran can borrow up to 100 percent of the purchase price. Also there is no mortgage insurance on this type of loan, which can be a great benefit to keep monthly payments down.

The VA also caps certain closing costs to keep the out of pocket expenses at a minimum. Additionally, this loan program is not limited to first-time homebuyers; any eligible veteran can use the program regardless of prior home ownership.

How does the program work? The VA does not directly lend to veterans, rather they provide a guarantee to lenders for losses in cases of default, similar to the FHA program. Most banks and

lenders that offer FHA or other government loans also offer the VA loan program.

The loan process for a veteran is essentially the same as a conventional loan, the veteran must have sufficient credit and income as any other loan product. In addition to the traditional documentation requested by lenders, the veteran must provide a certificate of eligibility from the Department of Veteran Affairs to qualify for the loan. The certificate can be obtained on the VA website at [www.benefits.va.gov](http://www.benefits.va.gov) or by mail.

The VA program does have limitations. If a veteran already has a home loan not originally through the VA loan program then he or she cannot generally refinance into a VA loan for a better rate or term. In addition, there are limits on the size of the loan. At least once a year the VA sets out a list of maximum loan amounts by county, urban areas with a higher cost of living typically have the higher loan limits.

The VA also charges an upfront funding fee at closing, which can be financed into the loan. The fee ranges between .5 percent at the low end and 3.30 percent at the high end, depending on the circumstances. The loan program can only be used for homes that the veteran intends to occupy as a primary residence. The veteran cannot use the loan program to purchase investment property. The VA does, however, make certain exceptions for active duty service members who might be transferred to different duty stations around the world.

Between the housing downturn and seemingly never ending onslaught of new regulations, the VA home loan program offers significant value to buyers in today's market place. It offers advantages and flexibility to buyers that might not be seen in other home loan products again.

*Frank Lombardi is vice president of New England Region Counsel for WebTitle Agency, Cascade Settlement Agency and Customized Lenders Services. Offices are located at 500 A Canal View Blvd., Rochester, N.Y. 14623; and the Executive Office Building, 36 W. Main St., Suite 51, Rochester, N.Y. 14614; phone (585) 454-4770; [www.webtitle.us](http://www.webtitle.us).*



**By FRANK LOMBARDI**

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Columnist