

HOME LOANS  
**bay equity**<sup>®</sup>

CALIFORNIA

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# VA HOME LOAN

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FAQs





### **What are the benefits of a VA Home Loan?**

A Department of Veteran Affairs Mortgage offers several advantages over conventional financing options:

**100% Financing** - You don't need a down payment OR monthly mortgage insurance (PMI) payments.

**Competitive Interest Rates** - The interest rates are competitive and can be comparable to or even lower than conventional programs that typically require a 20% down payment.

**Seller-Paid Closing Costs** - The seller can cover up to 4% of the closing costs for the home buyer/borrower.

**Flexible Credit Requirements** - Veterans with lower credit scores may still qualify for much lower interest rates compared to what they would get with a conventional program.

**VA Streamline Refinance (IRRRL)** - This option allows you to refinance to a lower interest rate without the need to re-qualify, streamlining the refinancing process.

### **What types of properties can I purchase using my VA Loan Benefits?**

VA mortgages can be used to purchase various types of properties. These include free-standing single-family homes, townhouses, and condominiums (provided the condo project has Department of Veterans Affairs Approval). However, purchasing manufactured housing and mobile homes may be more challenging and subject to specific requirements set by the lender. It's essential to note that regardless of the property type, Veteran Mortgages are exclusively intended for personal home purchases meant to be occupied by the Veteran and/or their immediate family.

### **What does the “VA guarantee” refer to in relation to a VA Loan?**

The “VA guarantee” on a VA Loan signifies that the Department of Veterans Affairs provides assurance to the lender that they will be compensated in the event the borrower defaults on the loan. However, it's important to note that having this guarantee doesn't automatically qualify you for a Veteran Affairs Mortgage. Eligibility for such a loan is still contingent on meeting other criteria such as income, assets, and credit profile. Furthermore, if a borrower defaults on a VA Loan, the guarantee does not mean that the VA will pay the mortgage for them or allow them to retain the property. In cases of default, VA Loans undergo the same foreclosure process as conventional loan programs.

### **What are the eligibility criteria for obtaining a VA Mortgage?**

Eligibility for a VA Mortgage varies depending on your military service status. To determine VA eligibility, it depends on whether you are currently on active duty or have been discharged from the military, with specific requirements based on your length and timing of service. For comprehensive information, please visit the Eligibility page on the respective website or reach out to them for assistance in determining your eligibility.

### **Can I utilize my eligibility for a VA Loan to refinance my existing home?**

If you have a VA Loan, yes, you can leverage your eligibility to refinance your home using a VA Refinance program. If you presently have a Veterans Affairs Mortgage on your home, you may have the opportunity to reduce your interest rate and monthly payments through a Streamline Re-Finance, also known as an IRRRL (Interest Rate Reduction Re-Finance Loan).





### **Why do I need to get Pre-Approved if I am eligible for a VA Loan?**

Being eligible for a Veteran Mortgage through the Department of Veterans Affairs is different from being pre-approved for a mortgage. A pre-approval involves a quick application process along with the submission of certain documentation. Then, we'll assess your income, debts, and credit history to approve you for a loan. Getting pre-approved at Bay Equity Home Loans is quick, efficient, and convenient, and can be done online via our secure portal. This allows us to determine your maximum loan amount, which indicates the price range of homes you can buy. We recommend getting pre-approved before house hunting because real estate agents and sellers often require a pre-approval letter before entering a home purchase contract with you. This preparation will better equip you to make an offer on a house when you find one!

### **Should I already have a house in mind before seeking pre-qualification for a mortgage?**

No, it's advisable to get pre-approved before you start house hunting. This is because the pre-approval process helps determine how much you are eligible to borrow, allowing you to narrow down your search to homes within your budget.

### **How long does it typically take to secure a VA Mortgage?**

The timeline for obtaining a VA Mortgage can vary, but it primarily hinges on how promptly you can furnish the necessary documentation. As a general guideline, it's advisable to allocate 30-45 days from the moment you sign the home purchase contract to the scheduled closing date.

### **What is a Certificate of Eligibility (COE)?**

A Certificate of Eligibility (COE) is a document issued by the Department of Veterans Affairs to confirm your eligibility for VA loan guarantees. To obtain a COE, you can fill out form 26-1880 and send it to the Veterans Affairs service center in Winston Salem, North Carolina. Alternatively, if there's a Veterans Affairs office nearby, you may obtain your COE in person by bringing form 26-1880 along with your military ID or driver's license. However, the simplest method is for your lender to retrieve it through the Department of Veterans Affairs ACE (Automated Certificate of Eligibility) system. VA-approved lenders, like us, have access to ACE and can typically obtain your COE online within minutes.

### **Can I use my VA eligibility again if I've used it before?**

Yes, your previous use of VA eligibility does not prevent you from obtaining a Veteran Mortgage. However, there are some differences to consider. Depending on your situation, your previous mortgage may need to be paid off before your eligibility can be restored. If you plan to sell your home that you previously used your eligibility on and then buy your next home shortly afterwards, we can assist you with a "rapid restore" of your eligibility. This involves setting up the mortgage for your new home, and once your previous home sells, we will quickly work to get your eligibility restored through the VA so you can obtain final approval and close on your new home.





### **Can I use a VA Loan to build a home?**

If the builder of your new home has financing for the construction and only requires a deposit from you, then once the home is built you can use your Veteran loan benefits to close on the purchase of your home. If construction financing is not available, it is still possible to use the VA loan; however, there are several clauses that make the transaction much more complex.

### **Do all lenders offer VA Loans?**

No, not all lenders offer VA Loans. While many lenders provide this program, some community banks and credit unions choose not to offer them for various reasons. However, at Bay Equity Home Loans, we specialize in originating VA Loans for Veterans across the country.

### **Should I opt for a local lender because they have a better understanding of my market?**

Not necessarily. While some local banks and credit unions may not be approved lenders and might discourage you from utilizing your Veteran benefits, we specialize in VA Mortgages, offering you exceptional service and expertise in originating these home loans. Additionally, the Department of Veterans Affairs approves local appraisers who are familiar with the market, minimizing the risk of property appraisals being too high or too low.

### **What are the interest rates on VA Mortgages?**

VA Loan interest rates fluctuate with financial market conditions, just like conventional loans. The interest rate for a VA Loan will depend on the current market conditions and the specifics of your home purchase transaction. Bay Equity Home Loans is often able to offer highly competitive interest rates on VA Loans for 100% financing, which are typically comparable to conventional loan rates that require a 20% down payment.

### **What is the VA Funding Fee?**

The VA Funding Fee is a mandatory fee mandated by the Department of Veterans Affairs, not the lender. Typically, this fee is added to the loan amount and isn't an out-of-pocket expense for the Veteran borrower. The specific amount of the funding fee varies depending on factors such as whether it's the Veteran borrower's first mortgage, whether there's a down payment on the property, or if it's a streamline refinance. If you're seeking a VA Loan and need to determine your exact funding fee, as mortgage professionals specializing in VA Loans, we can assist you. It's important to note that Veterans with disability ratings and surviving spouses are exempt from paying the funding fee.



### **Do you offer any additional discounts to borrowers who use a VA Mortgage?**

Yes! Bay Equity Home Loans proudly offers a program called Giving to Heroes for both purchase and refinance transactions. Giving to Heroes is a credit back program resulting in a significant cost reduction when the loan closes.

**All employees working in or retired from any of the following industries are eligible to participate:**

- » Military & Veterans
- » Law Enforcement
- » Fire
- » Medical
- » Education (Private & Public)

### **Do I need to make a down payment for a VA Mortgage?**

No, you do not need to make a down payment for a VA Mortgage. The Department of Veterans Affairs Program allows for 100% financing of the home purchase price without requiring mortgage insurance. However, veteran borrowers may still have closing costs to pay. Fortunately, these programs permit the seller of the property to cover the veteran borrower's closing costs, up to 4% of the mortgage amount. If you work with mortgage professionals who specialize in VA Loans, they can provide guidance on how to structure a property purchase contract to minimize out-of-pocket closing costs for the home buyer/borrower.

### **How much are the closing costs on a VA Loan?**

The closing costs on VA loans can vary, similar to conventional loans. They depend on factors such as underwriting and appraisal fees, closing agent's fees, and state or regulatory fees. Additionally, like many mortgages, Veteran loans establish an escrow account for property taxes and insurance. These accounts require pre-payment of a portion of insurance and taxes, which are considered closing costs. It's important to note that these costs are determined by insurance rates and property taxes in the specific area where the house is being purchased and are not associated with lender or title company fees.

### **What loan amount can I get with a Veteran Affairs Mortgage?**

The specific loan amount you can qualify for depends on your income, job, and liabilities such as car payments or credit card debt. To determine your maximum eligible amount, mortgage professionals (like us!) who specialize in VA Loans can assess your debt-to-income ratio through a process known as a Pre-Approval.

### **Can I have a co-borrower on my VA Loan?**

Yes, but there are limitations on who can be a co-borrower. Typically, only the spouse of the Veteran or another Veteran can serve as co-borrowers on a Department of Veterans Affairs mortgage.





### **What forms are necessary to obtain a VA Home Loan?**

To obtain a Veterans Affairs Mortgage, you will need several types of documents related to your military service and personal income.

#### **These documents include, but are not limited to:**

- 1.** Certificate of Eligibility.
- 2.** Statement of Service (if you are on active duty).
- 3.** A copy of your DD214 (if you have been discharged or separated from the Military).
- 4.** W2 statements for the past 2 years.
- 5.** One month of the most recent LES (Leave and Earnings Statement) or pay stubs.
- 6.** Two months of the most recent bank statements.

These documents should be submitted along with the formal application and disclosures. Depending on your unique situation, additional documents may be required. As mortgage professionals specializing in VA Loans, we can assist you in determining the specific documents you need and provide a complete application package containing the necessary disclosures and forms to help you obtain your VA Home Loan.

### **Do past credit issues affect my ability to get a VA Mortgage?**

Veteran Affairs loan approvals are primarily influenced by your recent credit history over the past 12 months and your current credit score. If you've faced credit issues in the past but have maintained timely payments recently, there's a chance you can still be approved. We can also provide guidance on potential strategies to increase your credit score, if needed.

### **Can I qualify for a Veteran Loan if I've filed for bankruptcy?**

Yes, you can, but eligibility depends on specific conditions. If you filed for Chapter 13 bankruptcy, you must wait at least 12 months after the bankruptcy before you can obtain Department of Veterans Affairs financing. For Chapter 7 bankruptcy, you'll need to wait 24 months from the discharge date. Additionally, you must maintain a relatively clean credit history since the bankruptcy, meaning no late payments or collection accounts.

### **I've heard that VA appraisers can make a purchase difficult. Is this true?**

No, there is no truth to the statement that VA appraisers can make a purchase difficult. VA appraisers are randomly selected by the Department of Veterans Affairs to protect both the Veteran borrower and the Department. They ensure that the home is not being purchased for over market value and that it meets safety and quality guidelines. Most VA approved appraisers are also full-time appraisers who work with other home loan types. They register with the Department of Veterans Affairs to provide a service to Veterans and are independent third parties hired to assess property value.



# HOME LOANS bay equity®



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