



Veterans Affairs *Mortgage Guide*

An informative guide to help you through the VA mortgage process.



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VA HOMEBUYING

Patriotism, courage, and total commitment to your country. You've shown all of the above, and it's time for your dedication to be rewarded. Government-backed VA Loans from Lincoln Savings Bank feature competitive interest rates and 100% home financing options, giving you and your family an affordable way to finally settle down.

The intent of this guide is to help alleviate some of that stress by giving you the information you'll need to get familiar with the VA home loan process.

[Verify your VA Home Loan eligibility](#)

[Learn about the basics of home-buying](#)

[Apply for your VA Home Loan Certificate of Eligibility](#)

[Gather the required documents for your lender](#)





FIRST THINGS FIRST

Who is eligible for a VA Home Loan?

- Active-duty service members and Veterans with discharges other than dishonorable
- National Guard and Reserve service members and Veterans with an honorable discharge
- Certain eligible spouses
- Other uniformed service personnel

A comprehensive list can be viewed at: va.gov/housing-assistance/home-loans/eligibility/

Why Choose a VA Loan?

The VA Home Loan is often the best home loan product for Veterans. Some benefits include:

- **No down payment** as long as the sales price is at or below the home's appraised value.
- **No loan limit with full entitlement** if you can afford the loan. VA will back loans in all areas of the country, regardless of home price.
- **Competitive terms and interest rates**
- **No need for private mortgage insurance (PMI) or mortgage insurance premiums (MIP).** Not having to pay PMI could save a borrower on their monthly mortgage payment.
- **Fewer closing costs**, which may be paid by the seller, lender, or any other party.
- **No penalty fee** for paying off the loan early.
- **Access to VA loan staff who can answer questions** by mail or phone 1-877-827-3702.

HOW TO USE A VA LOAN

Buying a home is a process. It requires a combination of filling out forms, verifying ability to pay, and meeting the interests of both buyer and seller. Getting a VA-backed home loan is only one piece of the puzzle. Lincoln Savings Bank offers competitive interest rates on VA-guaranteed loans. This can help borrowers buy a home - especially if they don't want to make a down payment.

If eligible for a VA-guaranteed purchase loan, you can use the loan to:

- Buy a single-family home, townhouse, or multi-family up to 4 units
- Buy a condo in a VA-approved project¹
- Buy a home and improve it
- Buy a manufactured home and lot
- Build a new home
- Make changes or add new features to make the home more energy efficient

RE-USING THE VA LOAN

Eligible individuals can reuse their VA home loan benefit to buy or refinance another home after the first use. The size of loan and potential down payment amount will depend on whether you plan to have just one or more than one outstanding loan at a time.

How to apply

You can request a restoration of entitlement for subsequent use on another home loan in one of two ways:

1. **Apply online** at www.VA.gov, using your Digital Service (DS) Logon or by creating a new account using ID.me
2. **Download** VA Form 26-1880 (Request for a Certificate of Eligibility) and send it to the VA regional loan center with jurisdiction in your state

¹VA maintains a list of approved condos. If the condo is not on the list, the project must be submitted to VA for review to ensure that it complies with VA requirements. For additional questions, contact VA at 1-877-827-3702.

THE VA HOME LOAN PROCESS

- 1. Apply for your VA home loan Certificate of Eligibility (COE)** – The COE verifies that you qualify for the VA home loan benefit. If you have used your loan benefit in the past, a current COE may be helpful to know how much remaining entitlement you have or to ensure your entitlement was restored for previous VA-backed loans that were paid in full.
- 2. Look at your current finances** – Review your credit profile, income, expenses, and monthly budget to make sure you're ready to buy a home. Decide how much you want to spend on a mortgage and be sure to include closing costs in the overall price.
- 3. Choose a lender that is knowledgeable about VA home loans** – Many of the Mortgage Lenders at Lincoln Savings Bank have experience with helping customers through the VA home loan process.
- 4. Choose a real estate agent** – Meet with several real estate agents and then select one to represent you in the homebuying process. You can take your pre-approval letter to your real estate agent and begin shopping. Read all agreements—and make sure you understand any charges, fees, and commissions—before signing with an agent. Remember they work for you and should put your interests first.
- 5. Shop for a home** – Look at houses in your price range until you find one that works for you.

HELPFUL TIPS

- **Know what is in your credit history:** Consumer Financial Protection Bureau (CFPB) recommends that borrowers get a free copy of their credit report from the three nationwide credit reporting companies. This also offers an opportunity to correct errors and strengthen your scores: Visit AnnualCreditReport.com OR use call 1-877-322-8228.

Note: Anyone can receive one free credit report from each company, every 12 months.

- **Loan term:** VA loans can be issued for 30 years or 15 years. Shorter-term loans typically have a lower interest rate and lower total cost; however, they also have higher monthly payments. For VA home loans, you can pay off (amortize) your loan with NO penalty or early payoff fee.
- **Fixed or ARM:** VA loans can be a fixed-rate mortgage or an adjustable rate mortgage (ARM)
 - **Adjustable Rate Mortgage (ARM):** This is where your loan interest rate is adjusted periodically, based on an index. These loans may have a low introductory rate, but the rate can grow over time and so will your monthly mortgage payment.
 - **Fixed Rate Mortgage:** This most common VA mortgage option has a set principal and interest payment throughout the life of the loan, no matter how rates change nationally. You may see slight increases in your monthly mortgage payment each year due to changes in local property taxes and insurance.



REQUIRED DOCUMENTS

In order to estimate your lending amount, interest rate, and any other requirements for loan approval; LSB requires specific documents. These documents include, but are not limited to:

Your Certificate of Eligibility (COE) **or** VA Form 26-1880

VA service-connected disability award letter if not noted on COE (to verify funding fee exemption)

Uniform Residential Loan Application (URLA) – a Freddie Mac Form 65 or Fannie Mae Form 1003 is required for all home loans

Credit report²

Proof of income (2-year minimum of employment):

- Pay stubs, including LES for military employment
- W-2 forms or income tax returns
- Bank statements
- Proof of other income (including but not limited to investments, rental properties, etc.):

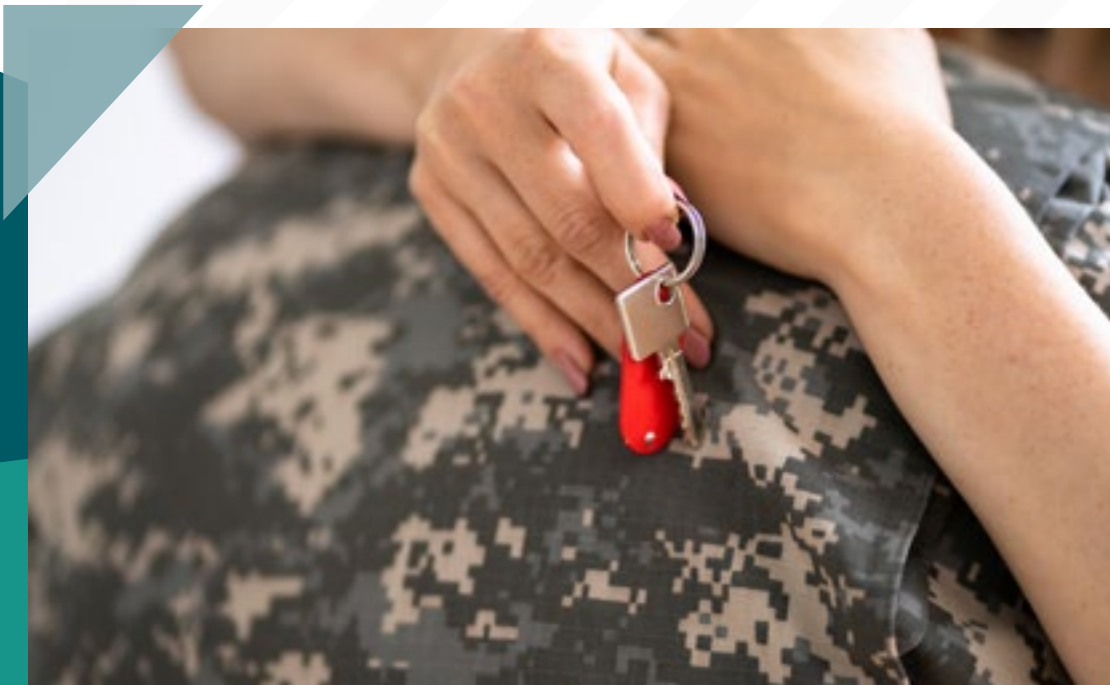
Documentation of outstanding debts:

- Including student loan, car loan, child support, alimony, and other debts
- Your lender may use this information to determine if your other debts may affect your ability to make monthly mortgage payments

Homeowner's or Condominium association forms (if applicable)

Gift letter for gift funds provided by someone not involved with the sale (if applicable)

²The VA does NOT require a minimum credit score.



GET STARTED ON YOUR VA LOAN

We're Here to Help

We hope this guide has helped demystify the homebuying process. Ready to start on your journey towards homeownership? Our mortgage lenders are here to walk you through the process step-by-step and answer any questions you may have.

Fill out a [Mortgage Application](#) today or contact one of our [Mortgage Lenders!](#)



Terms and Definitions

Assumption

A situation where the buyer takes over the seller's loan instead of opening a new mortgage loan.

Amortize

The gradual repayment of a mortgage loan by installments.

Borrower

In this guide, this refers to the person applying for the VA home loan. This can be eligible Veteran, Service member, or surviving spouse.

Cash-out (Regular) refinance loan

A loan that can be used to take cash out of home equity (such as to pay off debt or make home improvements), OR to refinance a non-VA loan into a VA loan.

Certificate of Eligibility (COE)

A statement from VA shows lenders that a borrower qualifies for the VA home loan based on service history and duty status. It also states the funding fee percentage (based on service, type of loan, and first/subsequent use) or exemption (based on VA compensation for a service-connected disability).

Construction loan

A loan used to finance the construction and purchase of a residence. The loan is closed prior to starting construction and monies are paid out to the builder during construction.

Disability Compensation

A tax-free monetary benefit paid to Veterans who are determined by VA to be disabled by an injury or illness that was incurred or aggravated during active military service (service-connected). To be eligible for compensation, the Veteran must have been separated or discharged under conditions other than dishonorable and have applied to VA for service-connected disability.

Energy Efficient Mortgage (EEM)

A loan used to add energy efficiency improvements made in conjunction with a VA purchase loan, or a refinance loan secured by that home.

Escrow account

Sometimes called an impound account, is an account set up by your mortgage servicer or mortgage holder to pay certain property-related expenses. The mortgage servicer manages the account and takes a portion of the mortgage payment to pay for taxes and homeowners insurance.

Fixed Rate Mortgage

This most common VA mortgage option has a set principal and interest payment throughout the life of the loan, no matter how rates change nationally. You may see slight increases in your monthly mortgage payment each year due to changes in local property taxes and insurance.

Full Entitlement

A situation where you are eligible for a VA home loan and can purchase a home or refinance a non-VA home loan into a VA home loan. This is typical when you have never used your VA home loan benefit, or you used your VA loan benefit in the past and paid off your loan or sold the property.

Guarantee

(verb) "to undertake to answer for the debt, default, or miscarriage of" a loan. (See 'Guaranty')

Guaranty

(noun) The VA Guaranty is a promise that the Federal Government will pay lenders a proportion of the value of the loan in cases of default and foreclosure. The guaranty allows borrowers NOT to pay for mortgage insurance for the life of the loan.

Interest Rate Reduction Loan (IRRRL)

A loan used to refinance an existing VA guaranteed loan, generally at a lower interest rate than the existing VA loan, and with lower principal and interest payments than the existing VA loan.

Loan Term

A loan term refers to the length of time and feature of a loan. VA can back loans that are either 15 or 30-year terms. Also, terms include fixed-rate and adjustable rate mortgage (ARM).

Maturity date

Maturity or maturity date refers to the final payment date of a loan at which point the principal (and all remaining interest) is due to be paid.

Mortgage Insurance Premiums (MIP)

MIP is what the Federal Housing Administration (FHA) requires borrowers to pay to self-insure an FHA loan against future loss.

Native American Direct Loan (NADL)

A loan used to purchase, build, improve, or refinance a home on Federal Trust land.

Partial Entitlement

A situation where you have used part of your VA loan benefit in the past may still purchase a home at any loan amount, but VA can only guarantee the loan amount covered by your "remaining entitlement," if any.

Purchase loan

A loan used to buy, build, or manufacture a new home.

Private Mortgage Insurance (PMI)

PMI is a type of insurance that protects the lender if the borrower ends up not being able to pay the mortgage. It's usually required on conventional loans if the down payment is less than 20% of the total mortgage amount.

Restoration of entitlement

A term that refers to reinstating a borrower's entitlement to use their VA home loan benefit more than once.

Service-connected disability

A disability (or disabilities) that either arose during service, was worsened or aggravated by service; or is presumed by VA to be related to military service.

Servicer

The mortgage servicer handles the daily functions of mortgages, such as collecting the monthly mortgage payment.

Service member

A person currently serving in the military in active duty, reserve, or National Guard status.

Special Forbearance

An agreement between a homeowner and their mortgage servicer (the company they send their monthly mortgage payments to) that establishes an alternative payment schedule to reduce or suspend payments for a period of time. Importantly, mortgage forbearance plans do not reduce the principal amount owed on a mortgage, and interest continues to accrue for the duration of the plan. Homeowners who can afford to make partial payments should do so in order to lessen the amount due at the end of the forbearance.

Surviving spouse

For the purposes of the VA home loan, a surviving spouse is the spouse of a Veteran who: served and was reported MIA/KIA, died of a condition or impairment connected to their service in the Armed Forces (as determined by VA or DoD), or whose service-connected disability/impairment, they believe, entitles them to benefits from the Department of VA.



Programs, rates, terms, and conditions are subject to change at any time. All approvals are subject to underwriting guidelines. FHA loans will require an up-front mortgage insurance premium and are also subject to a monthly mortgage insurance premium. A funding fee may be required on VA loans. If the down payment is less than 20% and based on the selected program and term of the loan, monthly mortgage insurance may be required. NMLS# 480330 © 2022 LSB Mortgage