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St. Paul Loan Notes

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VA Home Loans – An Emerging Market

A Monthly VA Home Loan Information Newsletter for Real Estate Professionals and Lenders

From the Loan Production Staff

Our 5th edition of the St. Paul Loan Notes is here! This issue brings you up to speed with some current issues of the VA Home Loan Program.

Spring is in full swing! Along with it being time for spring cleaning, it is also when the housing market heats up with buying or selling a home! As we all see our Nation's troops rotate and return to the United States, you may encounter borrowers in your area who are eligible for a VA home loan. At the time of loan application, be sure to ask all prospective borrowers if they may be eligible to use their VA home loan benefit. This spring, VA's national Eligibility Center in Winston-Salem has been deluged with Certificate of Eligibility (COE) requests from borrowers and their lenders. The St. Paul Regional Loan Center (RLC) pitched in to help eliminate a backlog, ultimately helping keep loan closings from being delayed. In the Veterans Information Portal at vip.vba.va.gov you can check the news and announcement message for the current processing date on COE requests being worked by the Winston-Salem Eligibility Center.

We want to remind you about the free training opportunities available via interactive televised training seminars as well as videotapes of previous broadcasts. On Wednesday, May 17, 2006, view *Servicing VA*

Home Loans, a one hour pre-taped session. This session is intended for servicing staff, veterans, real estate professionals, lender staff and other program participants. The topics will be *Guidance on Servicing VA Home Loans During National Disasters, VA Options to Foreclosures, and The Appraisal System*.

The remaining broadcasts for the year, beginning in June, will be live and viewers can call in with questions.

For more information about training opportunities, check out the website: www.homeloans.va.gov/train.htm

We welcome your comments, questions or concerns you may have. You can contact us by e-mail at RLCTT@vba.va.gov or call us at 1-800-827-0611 ext 3716.

St. Paul Regional Loan Center
Quality/Training Team



Modified Procedures for Processing Proposed and Under Construction Cases

St. Paul RLC Memorandum No. 06-01 dated February 21, 2006, advised of procedural changes that will facilitate compliance with new VA requirements for proposed construction cases. These changes will result in more streamlined processing and reduction of paperwork.

To obtain RLC Memo No. 06-01, go to: www.vba.va.gov/ro/central/stpau/Pages/memo06.html.

Historically, VA required fee compliance inspections at the foundation, framing, and final stages of construction for all proposed and under construction cases. When the VA inspection requirement was established, few local authorities had acceptable building standards and/or performed inspections during construction of residential properties. Over the years, however, many local authorities (building departments) adopted comprehensive residential building codes, developed intensive inspector training programs, and implemented thorough inspection programs. It is not unusual for local building departments to perform mandatory inspections equivalent to those required by VA at the foundation, framing, and final stages of construction. Duplication of local building department inspections by VA has been determined to be unnecessary.

Question Forum

Q: I was recently administratively discharged from the Air Force after serving over 8 years on active duty. However, my discharge was "under other than honorable conditions". It was not "dishonorable" as there was no court martial. Am I still eligible for a VA loan?

A: Cases involving other than honorable discharges will usually require further development by VA. The first step in determining if your discharge is acceptable is to apply for a Certificate of Eligibility (COE). Send a fully completed VA Form 26-1880, Request for A Certificate of Eligibility, along with Member Copy 4 of your DD 214 discharge paper to our Winston-Salem Eligibility Center.

Q: My husband and I are both veterans and are eligible for VA loans. Can we use both at the same time for the same property, i.e., one to purchase the home and the other to make improvements? Or, if we needed a loan for more than \$417,000, could we use the other loan too?

A: A property can only have one active VA loan at a time. You cannot have two active VA loans on the same property. VA does not have a limit on the amount of a VA loan, but your lender may. Here are some quick facts you may find useful concerning purchase transactions: 1. VA does not have a maximum loan amount. However, lenders do sell loans on the secondary mortgage market, so they will generally limit loans to \$417,000 (\$625,000 in Hawaii, Guam, Alaska and U.S. Virgin Islands) with no down payment. With a down payment, loans may exceed these amounts. 2. The veteran does have to qualify income and credit wise. 3. At closing,

the veteran does certify as to intent to personally occupy the property as his or her home. 4. The veteran does not have to be a first time home buyer and may reuse his or her benefit. 5. The lender, not VA, sets the interest rate and discount points, so they may vary from lender to lender. 6. There is no private mortgage insurance, but VA does charge an up-front VA funding fee, which may be financed. The exception to this rule is that if a veteran is in receipt of VA service-connected disability compensation each month, he or she is exempt from the VA funding fee. 7. A seller can pay for closing costs. There is a requirement that seller concessions cannot exceed 4 percent, but only certain items are considered a concession, i.e., payment of pre-pays, VA funding fee, pay off credit balances or judgments on behalf of the veteran, funds for temporary buydowns (not discount points). 8. The veteran is not allowed to pay for the wood destroying insect (termite) report unless the loan is a refinance.

Q: I am a little unclear about my COE. I would like to know why is my available amount \$36,000 so low. Why am I not qualified for the new rates that were made effective on January 1, 2006. This is the available amount that homes were costing in 1976 and as we know times have changed a great deal since then. Is there anyway that you can be of assistance with this issue? This is very alarming to me that I have not been qualified for this effective loan amount. Will you please look into this matter.

A: It is confusing to look at the Certificate and see only \$36,000! However, that represents your basic eligibility, which in turn represents the amount of guaranty we will place on the loan for the lender. There is a relationship between the guaranty amount and the loan amount available to veterans, but

changes to the law over the years have made it more difficult to see. The \$36,000 guaranty does permit loans up to \$144,000. Recent changes have left the basic eligibility the same, but have provided an increased guaranty to lenders so veterans can purchase homes at today's market value, which is often in excess of \$144,000. The following is copied from our Internet site, and hopefully answers your questions: Your basic entitlement is \$36,000. For loans in excess of \$144,000 to purchase or construct a home, additional entitlement up to an amount equal to 25 percent of the Freddie Mac conforming loan limit for a single family home may be available. This loan limit changes yearly. This means that qualified veterans could get a no downpayment purchase loan of up to \$417,000 through December 31, 2006, effective January 1, 2006.

Q: We have a lien-supported assessment (due to Home owner Association fees) required on the NOV and unfortunately I have not seen this before. I'm wondering what documentation is acceptable to satisfy this condition, if there is a specific form signed by the homeowner's association required or a statement signed by us as the lender acceptable?

A: Generally, it is advising the purchaser of monthly required fees and that the lender is responsible for ensuring any assessments are subordinate to the VA mortgage, but no form is required.