Frequently Asked Questions

What is the maximum loan amount VA will guarantee?
VA does not have a maximum loan amount. It is understood that lenders must generally have at least 25% of the loan guaranteed by VA to sell the loan on the secondary market. Based on this factor the following limits **may** apply:

Refinance Loan Types	Limit
Purchases or Construction *	$240,000 including VA's Funding Fee
Regular or Cash-Out *	$144,000 including VA's Funding Fee
Interest Rate Reduction	VA will guaranty 25% of the final loan amount as long as it is in compliance with VA regulations

* It is suggested that any deviations on loan amounts for purchases or construction and regular or cash-out refinances listed above be discussed with your secondary mortgage market representative prior to closing to ensure that you have the proper coverage needed to satisfy your investors requirements.

Can a veteran purchase a home with his fiancée using a VA loan?
The veteran can purchase a home with any individual they choose but VA will only guarantee the portion of the loan attributed to the veteran and a spouse.
For example, if the veteran intends to purchase a home with a fiancée prior to marriage and will share the same interest in the property, VA would guarantee half of the loan.

What is the maximum guaranty on a joint loan for two veterans?
The loan amount and guaranty percentage would be the same as for one veteran. The use of two certificates does not mean you can double the guaranty or loan amount.

Is an off base housing authorization required for veterans currently serving in the Armed Forces to process a loan package?
This varies from region to region. You should contact your Regional Loan Center.

Will the VA accept a partial package for credit approval prior to the appraisal being ordered?
No. The VA requires a complete loan package to underwrite a loan for commitment. A complete list of required package content is contained in the VA Lender's Handbook.

How many properties can a veteran own through VA?
A veteran can reuse the VA benefit multiple times as long as there is sufficient entitlement to cover the new loan. In addition, the new home purchased must be the primary residence.

Can a veteran refinance over the 90% LTV on a cash-out refinance?
The loan amount may not exceed 90% of the appraised value (referred to as the base loan amount) plus the VA funding fee.

How do you process a loan for a veteran who has been rated incompetent?
Obtain proof that the person signing the documents for the veteran is authorized. Obtain VA Form 26-8937, Verification of VA Benefit-Related Indebtedness. Submit a complete package (including a NOV) to VA for review and acceptance prior to the closing.

If a veteran purchased a home with a VA home loan, paid off the loan and had entitlement restored, are they considered a multiple user?
Yes, they are considered a multiple user and subject to a higher funding fee unless exempt. Additionally, if the benefit was used before and the borrower is using remaining entitlement to purchase another home, they would be subject to a higher funding fee. Information on funding fees can be found in the VA Lender's Handbook.

What documentation is acceptable to establish exemption from the VA Funding Fee?
VA Form 26-8937, Verification of VA Benefit-Related Indebtedness, completed and signed by VA. A current award letter dated within the past 12 months. Letter from the Veteran Service Center Manager confirming the extension of compensable service connected disability income. Proof that the veteran elected to receive service retirement pay in lieu of VA compensation, such as a copy of the original VA notification of disability rating and proof of receipt of retirement income. A Certificate Of Eligibility (COE) which indicates that the borrower is eligible for VA benefit as an unmarried surviving spouse as stated on the COE.

Where can I find information about lender approval, automatic authority or agents?
All of this information is contained in Chapter One of the VA Lender's Handbook, located on our site at http://www.homeloans.va.gov/. A checklist and specific points to consider when applying for automatic underwriting authority can also be found there.

Can you give a mortgage for an Interest Rate Reduction Refinance Loan (IRRRL) when the veteran no longer occupies the property?
Yes, prior occupancy of the property is sufficient. The IRRRL is the only VA loan where the veteran or his spouse does not have to occupy the property as a primary residence when the new loan closes. Specifics on occupancy requirements can be found in the VA Lender's Handbook.

Is there any exception to the 10-year rule for Interest Rate Reduction Refinance Loans (IRRRL's)?
In general, the new term for an IRRRL may not exceed the term listed on the note of the original loan being paid in full by more than 10 years.

Assets

Should gift funds be verified in the donor's or applicant's account?
There is no specific requirement in the VA Lender's Handbook. The lender must obtain a gift letter as a minimum. Many lenders obtain documentation of the veteran's receipt of funds from a donor. This ensures that the veteran did not obtain other financing to cover the closing costs.

Can the veteran's retirement fund be included as liquid assets?
Retirement funds that are not available to the veteran cannot be included as a liquid asset. Voluntary contributory retirement plans may demonstrate a veteran's ability to accumulate savings and should be considered a compensating factor. If a veteran is taking a loan against the retirement account to close the loan, the withdrawal must be recorded.

Income

What landlord experience requirements must be met for the VA to accept rental income for loan qualification?
There are many types of rental properties that are specifically dealt with in the VA Lender's Handbook.
For example: If a veteran is purchasing a multi-family home to occupy as a primary residence, the VA requires the lender to document the veteran's reserves and previous landlord experience when the rental income is needed by the veteran to qualify for the home loan. For landlord experience, the veteran must have owned a multi-family home, had prior experience managing rental units or other background involving property maintenance/trades and rental or collections experience. If the veteran can support the mortgage without the rental income, neither the landlord experience nor reserve requirements are needed. In unusual situations the underwriter should evaluate all the circumstances and contact the Regional Loan Center they deal with for guidance if needed. Any landlord experience or equivalent must be properly documented in the file and unusual situations addressed in the remarks section of the loan analysis form, e.g., the veteran may initiate a contract with a property manager for a year in lieu of the landlord experience. This contract may be noted in the remarks section and could be accepted by the underwriter on a case by case basis in lieu of the standard regulation.

What reserve requirements must be met for the VA to accept rental income for loan qualification?
Different scenarios involving use of rental income are specifically dealt with in the VA Lender's Handbook.
For example: If a veteran is purchasing a multi-family home to occupy as a primary residence, the VA requires the lender to document the veteran's reserves and previous landlord experience when the rental income is needed by the veteran to qualify for the home loan. In this instance, 6 months of Principal, Interest, Taxes and Insurance (PITI) reserves must be documented (above and beyond closing costs). If the veteran can

support the mortgage without the rental income, neither the landlord experience nor reserve requirements are needed.

If a veteran is not employed, may the income of the non-veteran spouse be used to qualify the veteran for the home loan?
If the spouse is on the application, you can use the spouse's income.

What length of time should the applicant be self-employed to consider it a source of income?
The VA prefers the applicant to be self-employed for a two-year period. The underwriter may consider a candidate that has a full year of documented self-employment and past regular employment or education in the same line of work. Specifics concerning self-employment income can be found in the VA Lender's Handbook.

Can the income from a non-qualifying spouse (a spouse not listed on the application) be used to qualify the veteran?
If the spouse is not on the application you cannot use the income when completing the loan analysis form. However, should the spouse choose to provide documentation concerning his/her employment (e.g. pay stub and W-2), the underwriter could consider removing the spouse from the residual requirement (reduce the number of family members by one). The spouse cannot be forced to provide this data. The underwriter must document the exception in the remarks section of the loan analysis form.

Can we use income of a trailing spouse?
Income from a trailing spouse can generally not be considered as the spouse does not have employment in the new location and there is no guarantee of employment when he/she moves. The income may be used to offset the expense of the spouse in his/her current location. Under certain circumstances, the lender may find it possible to document a demand in the new location for the spouse's profession and the underwriter may consider using the income for offsetting some obligations with the potential income. Use of this income in any form should be considered on a case by case basis and documented in the remarks section of the loan analysis sheet.

Is it possible to consider the income of an applicant who has worked in a current job for less than one year, and the current job is not related to his/her previous job?
In general, the VA would prefer that an applicant had worked on a current job for a year. Consideration may be given the veteran if there has been a recent job change but is in the same line of work or has specialized training in the field. The underwriter should also consider the employer's evaluation on the probability of continued employment, how much of that applicant's income is needed and if are there any compensating factors. If the veteran does not have a full year on his/her current job (even if it is not related) the VA does not require an automatic denial. Careful review and judgment is required by the underwriter and reasons for the decision should be annotated in the remarks section of the loan analysis. Specifics concerning income stability can be found in the VA Lender's Handbook. In all cases employment must be verified for a two-year period and any gaps of employment addressed by the applicant in a written format.

Can commission income be considered a source of income if the applicant has not been receiving it for two years?
If the applicant has not been receiving commission income for a two-year period, the underwriter must carefully review the applicant's previous work experience and commission history. If the applicant has been receiving commissions for at least one full year and has a background in the field it may be possible to use that income or offset some debt. If the veteran has not been receiving commission income for at least a year, it is unlikely that this source of income may be used. The underwriter should address the use of any income with less than a two-year history in the remarks section of the loan analysis form and assure there is supportive documentation in the loan file.

What else can be considered (e.g. depreciation, interest, etc.) to compute net income for a self-employed applicant?
Depreciation claimed on the tax returns and financial statements can be added to net income to calculate qualifying income. Should the underwriter choose to include additional items in net effective income, these must be specified on the loan analysis form with documentation contained in the file.

Can Year to Date (YTD) Profit and Loss (P&L) statement earnings be used to derive income for self-employed applicants? If so, must the P&L statement be audited or prepared by an accountant?
The VA will average the earnings based on a YTD P&L statement if they are consistent with previous earnings. Generally VA does not require financial statements to be audited. Under some circumstances the underwriter may feel it is necessary to obtain an audited financial statement to clarify income or resolve discrepancies. Specifics concerning self-employment documentation can be found in the VA Lender's Handbook.

Can part-time employment be considered as additional income for an applicant that also has a full-time job?
The VA requires that overtime, part-time and bonus income is documented as consistent over a two-year period and is likely to continue. This is to show that the income is stable and the veteran is able to work beyond the normal work hours over a long period. If the income has been received consistently for 12 months and is likely to continue, the underwriter may choose to offset debt with this income. Any income received for less than a 12-month period may be considered as a compensating factor by the underwriter. Specifics concerning overtime, second job or bonus income can be found in the VA Lender's Handbook.

What are the requirements to consider disability compensation as a source of income?
There is no time of receipt required to use disability income. The lender must document that the compensation is currently being received and that this income will continue for a three-year period generally, or be able to draw the conclusion that it will continue in the foreseeable future. In lieu of obtaining this documentation through the insurance company or Social Security Administration, it is possible to obtain a doctor's written confirmation regarding the applicant's probability of returning to work. If the disability

will not continue for a three-year period/"foreseeable future," the underwriter may choose to consider the compensation to offset debt. The underwriter's decision should be documented in the remarks section of the loan analysis form. Specifics concerning disability income can be found in the VA Lender's Handbook.

Can a veteran purchase a home that is more than 50 miles away from his place of employment and commute?
Yes, as long as the veteran can commute to his primary residence a VA loan can be used. If the veteran is going to be making an unusually long commute, the underwriter must consider commuting expenses in the loan analysis. It is the responsibility of the underwriter to determine the "normal" commute distance in the area.

Can the income of a spouse who is not a US citizen be considered? If so, does the VA require documentation that the spouse has a green card?
The income of a spouse who is not a US citizen may be considered if the spouse is on the loan application. The VA does not require any documentation that the spouse has a green card. Lenders should check with investors to verify secondary mortgage market requirements.

What are the requirements for income to be considered if a veteran is employed by a "Temp" agency for more than 9 months with a well established employer, can the income be used?
Generally, it would be difficult to consider earnings from Temp agency employment without an established two-year history. If a person is a career Temp agency employee, the overall earnings and employment history should be evaluated. Stability of income and a pattern of earnings may be established after a year. Any income used without a year history should be addressed in the remarks section of the loan analysis form. The underwriter must give careful consideration to these scenarios and address how stability and the average income are derived.

How long does child support have to continue in order to be considered as income?
Child support must continue for a three-year period or into the foreseeable future. If the support is going to be for less than three years, the underwriter may consider offsetting the children in the residual guideline if consistent receipt of the support is verified. If the underwriter chooses to offset the children in the residual guideline or offset an intermediate obligation, this should be noted in the remarks section of the loan analysis form. Specifics concerning child support income and the documentation required can be found in the VA Lender's Handbook.

Debts

Does the VA consider childcare costs a debt? If so, what documentation is required?
Yes, the VA considers childcare expenses as debt. The lender must obtain a letter from the veteran documenting the childcare expense or detailing why no expense is incurred. Ensure that the current daycare provisions will remain logical based on the location of the new home. If applicable, the name and address of the child care provider should be

obtained. This expense should be listed under section D, line 30, job related expense on the VA Loan Analysis.

Is it required to obligate the veteran for a mortgage that has been assigned to the ex-spouse by the courts?
No, in general, you do not have to obligate the veteran for a debt that the courts assigned to an ex-spouse - even if that debt is delinquent. This is specified in the VA Lender's Handbook.

For military applicants, do we need to consider separate household expenses if the applicant will be living in quarters and says he will not have any expense?
If the veteran states that he/she will be living in military quarters at no cost and his/her spouse will be living in the subject property, you do not have to consider separate household expenses. However, if a review of the Leave and Earnings Statement shows a withdrawal for housing or there is any indication in the file of current expenses, clarification should be obtained.

Can we disregard the veteran's monthly debt if it is to be paid off within the next 5 months?
The underwriter must consider the following for installments with less than 10 months remaining: The payment must not be so large that it will have a severe impact on the financial situation of the household. The amount of "severe impact" is left to the underwriter's discretion. If the payment is large, the underwriter may consider if there are reserves to cover the debt after closing or a source of income they were unable to use in the analysis. The final determination is the underwriter's. If a debt is not considered and the logic is not highly visible, a notation should be made in the remarks section of the Loan Analysis. In the case of revolving or open-ended accounts with a continued pattern of use, the underwriter must include the regular monthly payment/minimum payment on the Loan Analysis. Specifics may be found in the VA Lender's Handbook.

If a veteran co-signed a loan, must it be considered as their obligation?
Not always, the debt may be disregarded if there is proof in the file that the payments are being made by someone else (e.g., a year's worth of canceled checks) and there is no reason to believe this will not continue. This is specified in the VA Lender's Handbook.

How are student loans considered?
Student loans must be reviewed on a case by case basis. The underwriter must consider the whole scenario and use judgment when making this decision. Factors to be considered include whether the payment is deferred or if there will be new or additional income to offset this expense. Loans deferred for more than a year may generally be disregarded. Should the underwriter choose to exclude a student loan as an obligation, a notation should be made in the remarks section of the Loan Analysis.

How are 401K loans considered?
401K loans may be disregarded.

Are union dues, life insurance or medical insurance included in the debt section of the Loan Analysis Form?
No, all of these factors are considered part of the residual requirement. The residual is the net income after shelter, debts and taxes is removed. The debt section covers items the veteran and family needs such as food, clothing, healthcare, gas, etc. Additional information concerning residual income may be found in the VA Lender's Handbook.

How is child support considered from a debt and credit report standpoint?
Child support is considered as a debt and must be listed in section D of the Loan Analysis. If late payments appear on the credit report, it should be addressed and considered in the overall credit picture.

Credit

Do unpaid obligations, such as collections and charge-offs, listed on a credit report have to be paid off? What about judgments or liens?
The VA does not require charge-offs and collection accounts to be paid off. The underwriter should obtain the veteran's explanation and supporting documentation if needed. If the accounts are dealt with by a steady repayment plan, this may be considered as a positive factor. If there has not been repayment scheduled, paying them off now does not alter the unsatisfactory credit. Judgments, Federal debts and liens must be paid in full or have a written repayment agreement. Written repayment agreements must be included in the debt section of the loan analysis. This is specified in the VA Lender's Handbook.

What procedures should I follow if I get a CAIVRS "hit"?
The following steps should be taken: Contact the veteran or co-applicant regarding the claim to find out if they know about it, or have proof that it has been paid in full/resolved. If the applicant is not aware of the item or needs to resolve it, someone must contact the federal agency listing the debt. A listing of agencies and contact phone numbers are contained in the VA Lender's Handbook. If it is determined that there is no claim against the veteran, the lender should document this by written confirmation from the agency or the lender telephone certification. The Housing and Urban Development's (HUD's) CAIVRS system may not be update quickly so do not hold up the approval or closing. If there is a loss to the government, the lender must obtain proof of payoff or a written repayment agreement.

When can a person with a bankruptcy on the credit report apply for a VA loan?
The date of the discharge is the major determining factor. If a bankruptcy was discharged more than 2 years ago it may be disregarded. If the bankruptcy was discharged between 1-2 years ago, the veteran must have reestablished credit by some means and the cause of the bankruptcy must be documented as having been beyond the control of the applicant (e.g., job loss or medical issues). If the bankruptcy was discharged less than a year ago, it will not generally be possible to ascertain satisfactory credit risk. Marginal cases should be addressed in the remarks section of the Loan Analysis. The guidelines for bankruptcy may be found in the VA Lender's Handbook.

How do you treat Consumer Credit Counseling Services (CCCS)?
If an applicant is currently in consumer credit counseling, they must have demonstrated a 12 month history of timely payments and the counseling agency must approve of the new credit. Occasionally an applicant chooses to participate in consumer credit counseling to obtain assistance with finances, even without being behind in payments. In these cases, consumer credit counseling may be considered a neutral or even a positive factor. Do not treat this as a negative credit item if the veteran entered the consumer credit counseling plan before reaching the point of having bad credit. Specifics on consumer credit counseling may be found in the VA Lender's Handbook.

Is a veteran eligible for a loan if he/she is behind on child support payments?
Child support is a credit obligation and if it is in arrears, it must be addressed. The veteran may have a legal action pending. In those cases the underwriter must look at the documentation and explanation submitted. If the documentation supports a veteran's claim that they are not responsible for the debt and merely awaiting the court records to be finalized this would not be considered a derogatory item. All other cases with pending legal action must be looked at on a case by case basis. Should you need advice on these, make sure you develop the situation completely then speak with your supervisor or VA Regional Loan Center for guidance. If the veteran is behind due to financial matters, the underwriter must take the following into account: Is there is a repayment schedule? How it will be repaid? Will the cause of the delinquency have an impact on the veteran's proposed loan scenario? The underwriter must exercise good judgment on a case by case basis.

To determine whether the veteran has a satisfactory payment history, how many months must be reviewed?
Generally VA requires a 12-month history of satisfactory payment. Any late payments within the past year should be developed for an explanation and supporting documentation obtained if needed. The underwriter must make a credit decision based on all the documentation of that particular veteran. Comments should be placed in the remarks section of the Loan Analysis for any loans approved which have late payments in the past year. In marginal cases it may be helpful to review the mortgage or rental history carefully as the applicant's past repayment history could establish how motivated the applicant is to make timely mortgage payments in the future. Information on adverse credit or other scenarios such as bankruptcy and foreclosures may be found in the VA Lender's Handbook.

The veteran has been living with his/her parents and does not have any loans or credit cards. What does the veteran need to provide to be considered credit worthy?
The underwriter must look at these cases individually and consider if there were any past credit or other compensating factors. The VA does not consider the lack of credit a negative factor.

Does VA use credit scoring? If so is there a minimum?
No, the VA does not use credit scoring. The underwriter should review the credit of each veteran individually. The VA does recognize that credit scoring is a standard mortgage industry practice and a high credit score may be listed as one of several compensating factors in the remarks section of the Loan Analysis. Should the underwriter be using an automated underwriting system such as Loan Prospector, they would follow specific guidelines in accordance to the automated underwriting system.

Can payment plans be used on derogatory credit? If so how long do they have to have been established?
If there are derogatory credit issues (e.g., a collection account, IRS lien, back due child support), but the veteran has been making payments for a full year, the underwriter may consider this a positive factor. Be sure to list the payment as an obligation. If the borrower has been making payments for less than a year, the underwriter must review all factors for the loan to determine if the overall credit is acceptable. The underwriter must use judgment on a case by case basis. These decisions should be documented in the remarks section of the Loan Analysis.

Rendering a Decision

If a veteran's spouse is not on the application and is receiving child support payments, could these funds be considered to offset the children in the residual?
Yes, as long as the motivation for payment (e.g., court order) and consistent receipt of the funds are documented.

Are compensating factors considered for loans with ratios over 41%?
The VA home loan is a residual driven program. The VA considers the ratio as a secondary evaluator. The underwriter should consider the following: If the residual is in excess of the guideline by more than 20%, a loan with a high ratio but good credit and job stability could be approved. If the loan does not have residual + 20%, the underwriter must review all compensating factors and the decision should be documented in the remarks section of the Loan Analysis. For loans with ratios over 41% and the residual does not exceed the guideline by 20%, the underwriter's supervisor must sign the Loan Analysis concurring with the underwriter's determination. The reasoning for loan approval must be listed in the remarks section of the Loan Analysis. Specifics on ratios, second signatures and compensating factors may be found in the VA Lender's Handbook.

Can non-taxable income be grossed up?
Non-taxable income can be grossed up for determining the ratio only. Item 39 of the Loan Analysis form must list the actual income, not the grossed up figure. There should be two ratios listed on the Loan Analysis if you choose to gross up; the first in box 45 showing the actual ratio and the second in box 48 listing the ratio based on the grossed up income figure.