

A Quick Guide To VA Loans

This guide will provide you with a basic overview of what a VA loan is all about, including general qualifying guidelines.

What is a VA Loan?

A VA Loan is a mortgage issued by mortgage companies and other private lenders such as banks and credit unions. VA does not provide home loans, rather, the loan is guaranteed by VA. This means that the lender is protected against loss if the borrower fails to repay the loan.

Eligibility

You must fall under the eligibility requirements
(list not exhaustive but includes some of the most common categories)

Eligible Person	Time Required
Active Duty Member	90 continuous days
Former Active Duty (1990-present)	24 months
Reserves/National Guard	90 days of active service between 8/2/1990 and now OR six years of selected service
Unmarried Surviving Spouses	No Time Requirement- veteran must have died on active duty or from a service-connected disability
Spouse of POW/MIA	The spouse of an active duty member who is listed as missing in action(MIA) or a prisoner of war (POW) for at least 90 days

Credit History

The following are the general credit history requirements:

- Minimum credit score of 620
- Meet the following waiting periods for derogatory credit

Bankruptcy (Chapter 7)	2 years from discharge date. It is possible to qualify for a mortgage in less than 2 years if the bankruptcy was filed due to circumstances outside of your control (example: unemployment, medical bills not covered by insurance.) Divorce is NOT considered to be outside of an applicant's control
Bankruptcy (Chapter 13)	Immediately after discharge OR after 12 payments have been made to the court. Approval from the court will be required.
Foreclosure/ Short Sale	Same as Chapter 7 Bankruptcy. If foreclosure was on a VA loan, you might not have full entitlement which would then require a down payment

Employment/Income

Minimum History of Employment

Generally, a minimum of 2 year history in the same industry/ line of work is required.

Self employed borrowers must show a two year history of filed tax returns to meet the 24 month requirement.

Recent graduates can satisfy the two year requirement by providing proof of schooling with a degree for the line of work you are now employed in.

Active duty members do not need a two year history as long as the minimum service requirement for eligibility has been met.

Other Income

Overtime, bonuses, commission and part time employment must have a 24 history in order to be included in the qualifying income. Verification of likelihood to continue will also be required.

Retirement, Disability, alimony and child support income does not require a 2 year history but verification that it will continue for at least 3 years is required in order for it to be included.

Required documentation

- Pay stubs covering most recent 30 days available
- W-2's and Federal Tax Returns for previous two years
- Business tax returns if applicable

Assets

You must have sufficient cash to cover any closing costs or fees not paid by the seller

VA does not require additional cash to cover a certain number or mortgage payments or unplanned expenses (cash reserves), however, your ability to accumulate liquid assets and the amount of assets currently available is taken into consideration in the overall credit worthiness analysis.

All non-payroll deposits will need to be documented.

Required documentation

Two months of current bank statements to verify or most recent quarterly statement available.

Debt to Income Ratios

The rule of thumb is this : All monthly obligations (car payments, credit cards, student loans, alimony, child support etc) and new estimated mortgage payment should not exceed 50% of the usable, gross monthly income. However, higher percentages can be approved.

In addition to the debt to income ratio requirements, VA also has residual income requirements. VA residual income looks at how much income is available after all monthly liabilities, including tax withholdings, utilities and child care, are taken out of the equation.

Residual Income By Region				
For loan amounts of \$80,000 and above				
Family Size	Northeast	Midwest	South	West
1	\$450	\$441	\$441	\$491
2	\$755	\$738	\$738	\$823
3	\$909	\$889	\$889	\$990
4	\$1025	\$1033	\$1033	\$1117
5	\$1062	\$1039	\$1039	\$1158
over 5	Add \$80 for each additional member up to a family of seven			



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