

Your Path to Homeownership



MEETING VA GUIDELINES AND
LENDER REQUIREMENTS



Veterans United[™]
Home Loans

Buying a home with a VA loan is an incredibly rewarding experience. The VA loan offers unbeatable financing advantages, including low closing costs, low interest rates, no monthly PMI (private mortgage insurance) and no required down payment.

At the end of the VA loan process, you'll secure the keys to your very own home through a simple, low-cost mortgage. Our nation's veterans deserve nothing less.

STEPS TO YOUR LOAN

Military borrowers have to clear several hurdles before crossing the finish line. The most important steps along the way include locating a property that meets VA appraisal guidelines and obtaining loan approval from an individual lender.

Garnering approval from both the Department of Veterans Affairs and an individual lender can seem like a tall order. But for any loan to close, both the VA and an individual lender must grant consent.

The VA strives to ensure that homes purchased by military borrowers are safe and in good condition, so most VA criteria address property issues. The VA also sets basic borrower guidelines and advises lenders on how to select creditworthy loan candidates.

Lenders undertake a significant financial risk with each loan, so their guidelines tend to focus more on a borrower's financial situation. It's common for a lender's criteria to address a borrower's income, credit history and employment status.

Choosing
a lender

Choosing a
real estate
agent

Loan pre-
approval

Locating a
property

Appraisal

Inspection

Final loan
approval

Closing

Keeping track of two sets of guidelines can be tricky. One simple way to lighten your burden is to partner with VA-savvy real estate agents and lenders. Agents and lenders with significant VA loan experience can easily keep you on track with all VA loan requirements.

Working with the right professionals can lead to a hassle-free experience, but serious military borrowers should do their own preparations, as well. A thorough understanding of VA loan guidelines will help any military homebuyer sidestep ineligible properties and fine-tune their borrower qualifications.

The journey for any dedicated VA loan contender starts here, with a careful review of VA loan program guidelines.

Experience Matters.

Success follows experience. That's why partnering with the right professionals can make all the difference. Veterans United Home Loans is the nation's No. 1 dedicated VA lender. Contact us [online](#) or at 888-212-1958.

KEEPING THE VA AND LENDERS HAPPY

Let's look at why you need to measure up to both VA requirements and lender guidelines. The VA does not actually issue loans. Instead, the agency guarantees a portion of each loan. If a borrower defaults, this financial promise protects lenders from a total loss.

The Department of Veterans Affairs establishes the basic guidelines for the program.

The VA defines what properties are eligible and the financial standards that applicants must meet.

VA Loan Benefits

- ✓ No down payment
- ✓ No monthly PMI (private mortgage insurance) payment
- ✓ No prepayment penalty
- ✓ Relaxed credit requirements
- ✓ Low interest rates
- ✓ Low closing costs

Private, VA-approved lenders are the ones that actually dole out money to qualified buyers. Lenders carefully evaluate each applicant to ensure compliance with VA standards. This process involves a credit analysis, debt-to-income calculations and employment checks. Lenders must also verify that the home measures up to the VA's property requirements.

Lenders are responsible for ensuring VA standards are met. Beyond those criteria, they're free to add their own stipulations. Some are tough, while others are more flexible.

Prospective borrowers who meet all lender requirements are still subject to approval or denial from the VA. After a lender completes a borrower's evaluation, the buyer's finances and property details are submitted to the VA for final approval. Any problems noted by the VA with either the buyer or the property must be corrected before the lender can close the loan.

VA PROPERTY GUIDELINES

Searching for your dream home can be one of the most exciting undertakings of your life. Most house hunters love touring homes. Envisioning cozy evenings by a new home's fireplace or picnics in the backyard can be the best part of the house hunt.

Making sure your property measures up to VA and lender criteria is somewhat less enthralling, but still necessary.

Most VA loan property requirements are designed to protect the health and safety of military borrowers. For example, there are strict rules regarding a home's proximity to environmental hazards and the availability of safe drinking water.

Other property requirements aim to protect the service member's monetary interests. The VA requires that homes be "move-in ready" and represent a good investment. Lenders want to protect their assets, so they prefer that homeowners select good quality homes in appreciating neighborhoods.

Pursuing an ineligible property can sidetrack your home purchase indefinitely. While it's certainly important to select a property that feels right to you, don't forget to keep the following VA and lender criteria in mind.

Ineligible VA Properties

- ☒ Properties in badly deteriorated condition
- ☒ Nonresidential properties
- ☒ Vacant land
- ☒ Properties located within a high-pressure gas pipeline easement or high voltage electric transmission line easement
- ☒ Non-owner occupied rental properties

MINIMUM PROPERTY REQUIREMENTS

The VA maintains a list of Minimum Property Requirements (MPRs) that properties must meet to garner agency approval. Each property is carefully evaluated by an independent VA appraiser, who assesses the value of the home and ensures that all MPRs are met.

VA Guidelines

The primary purpose of MPRs is to ensure that properties purchased with VA loans are safe and structurally sound. There are numerous standards against which properties will be measured. Here are a few of the most important ones:

- ☒ Home must meet local building codes
- ☒ Heating must be adequate
- ☒ Home must have an adequate supply of safe drinking water
- ☒ Home must possess a safe method of sewage disposal
- ☒ Roof must be in usable condition
- ☒ Excessive dampness or pooling of water in a crawl space must be corrected
- ☒ Home must be free of termites
- ☒ Terrain must drain water away from the home

During the VA appraisal, your home will be carefully assessed for these and a whole host of other characteristics. Any problems noticed during the appraisal will have to be corrected before you can close on your VA loan.

Lender Guidelines

Experienced VA lenders are very familiar with MPRs. Lenders must closely follow these guidelines since properties that can't measure up to the standards are ineligible for VA approval. These property requirements are also a great example of why working with a VA-savvy real estate agent can make a tremendous difference. Agents who understand VA requirements can help steer military borrowers from potential problem properties. That knowledge can save homebuyers time and money.

MANUFACTURED HOME CRITERIA

Military borrowers are sometimes surprised to learn that the VA loan program does guaranty financing for manufactured homes.

Terminology is important when distinguishing a “manufactured” home from a “modular” home. There are different conditions that apply to each type of home, so let’s first outline the VA’s definition of a manufactured home.

The VA classifies a manufactured home as one constructed in a factory on a non-removable steel chassis that is transported to the building site on its own wheels. As such, manufactured homes are more commonly known as “mobile homes” or “trailers.” We’ll discuss modular homes in more detail shortly.

VA Guidelines

Although the VA does permit the purchase of manufactured homes through the VA loan program, any old trailer just won’t cut it. The VA requires that all manufactured homes meet the following criteria:

- ✓ Must be properly affixed to a permanent foundation
- ✓ Single-wide homes must be at least 400 square feet
- ✓ Double-wide homes must be at least 700 square feet
- ✓ Home must have permanent eating, cooking, sleeping and sanitary facilities

Lender Guidelines

Current buyers are finding that many lenders shy away from issuing loans on manufactured homes. Manufactured homes generally decrease in value, as opposed to traditionally built homes. Lenders don’t like to have their funds tied up in depreciating properties, so finding a lender for a manufactured home can be tough. Patience will be a premium.

MODULAR HOME CRITERIA

Modular homes are fairly similar to manufactured homes. Modular homes are also built in sections at a factory. The sections are then transported to a building site on truck beds and joined together by local contractors. The biggest difference between a manufactured home and a modular home is that a modular home is not supported by wheels, so it's not really considered a "trailer home."

When it comes to your investment, a modular home is generally a safer bet than a manufactured home. Modular homes are more likely to increase in value than manufactured homes, making them more appealing to both buyers and lenders.

VA Guidelines

The VA will allow loans on modular homes, but (of course) with a few stipulations:

- ☒ Must be properly affixed to a permanent foundation
- ☒ Home must either be HUD-accepted or receive certification from the state in which it is constructed

Lender Guidelines

Lenders are friendlier toward modular homes than manufactured homes. The main reason is modular homes are more likely to appreciate than manufactured homes. Modular homes are usually more structurally stable than manufactured homes and can rival traditionally built homes in amenities and quality. As such, it's generally easier to find a lender who will finance a modular home than a manufactured home.

CONDOMINIUM CRITERIA

Condominiums are individual units purchased as part a larger complex. These units can offer several benefits to military homebuyers. Maintenance on a condo unit is usually provided by a homeowners association, which eliminates many of the owner's responsibilities. Service members who travel frequently love the fact that someone else is responsible for yard maintenance and snow removal.

Condos are also a little cheaper than comparable houses. By purchasing a condo, you're not actually purchasing any of the land that it sits on, which can result in a lower price.

VA Guidelines

The entire condo complex must be VA-approved before a buyer can obtain a loan for one particular unit. The VA maintains a running list of "approved" condominiums, so your complex may have already gone through the qualification process. Check with your lender to see if your condo has already made the list. If your desired condo is not on the VA-approved list, your lender can request approval directly from the VA. The VA will closely examine the property and the condo's organizational documents to ensure compliance with all VA regulations. It can take weeks for the VA to investigate condo liens, homeowner's associations, parking availability and titling, so be prepared for delays.

Lender Guidelines

Most lenders don't have outright objections to condo loans. However, some lenders refuse to issue "jumbo" loans (those over \$417,000) for condominiums. Some lenders are averse to "condotel" units, which are condos located inside hotels. Each lender is different, so shop around if you can't find a willing lender for your desired property.

Buying Multiple Units

Qualified borrowers can use a VA loan to purchase up to four residential units in a condo development. The purchaser must live in one of those units.

PROPERTY LOCATION

Thinking of purchasing new digs in the desert? A cabin in the mountains? Maybe a cottage on the beach? Buyers all have their own idea of the perfect locale.

But keep in mind that your property's location could be key to either loan approval or denial.

VA Guidelines

Your purchased property must be on U.S. soil (including the Virgin Islands, Guam, American Samoa and the Northern Marianas) to qualify for the VA guaranty. But you'll also need to think beyond a Zip code when considering a property's location.

VA loans can't be issued in areas that are considered hazardous.

Lender Guidelines

Lenders will ensure that your property meets the VA's location standards. Records will be combed to guarantee that the home is not in a hazardous or unsuitable location.

When thinking about the location of your purchase, also keep in mind that most states require lenders to be licensed. This requirement can eliminate lenders from consideration who are only licensed to practice in certain states. Don't forget to ensure that your property is within the lender's service area.

VA Prohibits Loans in these Locations

- ☒ Areas prone to regular flooding
- ☒ Airport noise zones
- ☒ Areas susceptible to geological or soil instability (earthquakes or landslides)

Benefits of Working with Veterans United Home Loans

One-stop loan shopping

No need to slog through search engine listings or the yellow pages. Potential homebuyers can rest assured knowing that Veterans United has each state covered.

Familiarity with local regulations

Veterans United experts are well-versed in all state-specific regulations. Failing to meet one of these regulations could bring the entire process to a standstill. Working with the experienced team at Veterans United ensures a streamlined, error-free home purchase.

Continuity of service

PCS have you moving to another state? Finally making the move back home? Changing your state doesn't mean you have to change lenders. Relocating homebuyers can continue as Veterans United customers and obtain the same great service experienced during the initial home loan.

VA BORROWER REQUIREMENTS

It's certainly important to ensure that your property meets both VA and lender criteria. It's even more important to ensure your qualities as a borrower are up to par.

You may have located the most ideal property on the hemisphere. But if you're not a suitable borrower, you won't be eligible to purchase any property through the VA loan program.

The VA and individual lenders know what they love to see in potential borrowers: good income, great credit history and reliable employment.

But it's tough for both the VA and lenders to set rigid standards for borrowers. A potential borrower with a great income may have a foreclosure in the not-so-distant past. A buyer with a flawless credit report may not have the income necessary to sustain mortgage payments.

As such, many potential borrowers are considered on a case-by-case basis, with several benchmarks in mind. Let's examine these benchmarks in greater detail.

CREDIT SCORE

There are actually several different types of credit scores, each calculated somewhat differently. The nation's three major credit bureaus — Experian, Equifax and TransUnion — all receive information on your credit usage, payments, balances and other data. They generate their own credit score, as does FICO, a California-based company that created the first credit score decades ago.

Lenders will pull your credit during the prequalification process. They'll see several credit scores and typically use the middle score for qualification purposes. That one number can make or break you as a VA loan recipient. While lenders attempt to be flexible with requirements when warranted, they generally have hard-and-fast rules about credit score minimums.

How Credit Scores Affect Interest Rates (30-year fixed-rate on a \$300,000 loan)

Credit Score	%APR	Monthly Payment
760-850	4.75%	\$1,564
700-759	4.79%	\$1,604
680-699	5.14%	\$1,637
660-679	5.36%	\$1,677
640-659	5.79%	\$1,758
620-639	6.33%	\$1,864

VA Guidelines

The VA does not set a minimum credit score for its potential borrowers. Rather, it makes a generic statement regarding a buyer's credit history: "By law, VA may only guarantee a loan when it is possible to determine that the veteran is a satisfactory credit risk."

Lender Guidelines

Remember that lenders are on the hook for the majority of the loan balance if a borrower defaults. So they seek to minimize risk by utilizing a credit score cutoff. In the current economic climate, most VA lenders require a credit score of at least 620. Military borrowers looking for loans greater than \$417,000 will typically need a credit score of at least 640.

LITTLE TO NO CREDIT HISTORY

Credit newbies can face challenges when applying for financing. Lenders like to thoroughly evaluate a candidate's behavior with credit. If an applicant has no behavior to assess, it's impossible for lenders to perform a proper evaluation.

Unfortunately, it's common for service men and women to lack credit experience. Those who join the service at a young age may not have ever needed credit. Recently returned from duty, prospective military borrowers may want to purchase a home, but have no credit history for lenders to consider.

Potential military borrowers may not even have the history necessary to create a credit score. Those who have never possessed a credit card or obtained a loan can fall into this category. FICO estimates that roughly 50 million Americans have no credit scores due solely to inexperience with credit. How will the VA and individual lenders handle these credit candidates?

VA Guidelines

The VA encourages lenders to be open-minded when dealing with inexperienced borrowers. Lenders are asked to consider a borrower's track record on utility, rent or insurance payments in the absence of traditional credit history.

Lender Guidelines

Although the VA urges lenders to be flexible when working with rookie borrowers, the agency can't force individual lenders to issue loans to anyone. Lenders want to be able to accurately calculate lending risks. It's tough to assess an applicant's ability to repay debts when there's no payment pattern to consider. Most lenders don't want to chance their funds on someone without substantial credit history.

Many lenders require that a borrower be able to show responsibility with credit. And for most lenders, this means that borrowers must have enough credit history to calculate a credit score. Lenders may even go beyond requiring a credit score by mandating that borrowers have a certain number of open credit accounts in good standing. For example, a lender may require that you have at least four lines of credit with no late payments within the last 12 months. It's possible to secure a VA loan while having just one open line of credit. But that's much more exception than rule.

UNPAID DEBTS AND COLLECTIONS

Stacks of unpaid bills on your desk could signal a problem with getting additional financing.

Any credit mistakes in your past may have been reported to credit rating bureaus. Items from judgments to collections to tax liens can stay on your credit report for years. Your lender will be on the lookout for the following “negative compensating factors” on your credit report:

Collections

Your unpaid debts (credit cards, medical bills, etc.) can be turned over to a third-party collection agency after a certain period of time. Creditors frequently relay this information to credit reporting agencies. This data typically remains on your credit report for seven years after the last late payment on the account.

Charge-offs

Creditors typically “charge off” a debt if there has been no payment on the account for more than six months. In charging off a debt, a creditor gains a tax exemption by saying that the debt is unlikely to ever be collected. A charge-off does not release you from your debt obligation and your credit report will take a hit. Charge-offs are typically reported to credit rating bureaus and remain on your credit report for seven years.

Judgments

A creditor could pursue the more drastic route of suing you over your unpaid debts. Should the creditor be successful, you could have a court judgment placed against you. The ruling can be enforced through liens, wage garnishments and even seizure and sale of your property. Judgments are a matter of public record and remain on your credit report for seven years from the legal filing date.

Tax liens

The government can place a lien against your property (real estate or personal) if you fail to pay your taxes. Tax liens can be extremely damaging to your credit report. Paid tax liens remain on your credit report for seven years from the date they were paid, while unpaid liens linger for 15 years.



VA Guidelines

The VA encourages applicants to take care of outstanding debts. Prospective borrowers with a history of unpaid debts are not generally considered “good credit risks.” This doesn’t mean that VA loan candidates need to be debt-free. Rather, borrowers must show timely payments on debts for at least the past 12 months.

This policy has one notable exception, which addresses tax liens or other federal debts, such as missed student loan payments. If you’re in debt to Uncle Sam, you either have to pay that debt in full or present an appropriate repayment plan to the VA. Otherwise, the VA will not consider you a satisfactory credit risk, and you will not be eligible for a VA loan.

Lender Guidelines

The VA doesn’t require that borrowers be debt-free. However, lenders are allowed to be as selective as they want. And in picking through applicants, lenders will see a history of collections, liens and judgments as a warning sign. Some lenders consider derogatory debt on a case-by-case basis. Some place a cap on the amount of unpaid debts a borrower can have. Some won’t consider borrowers with any amount of unpaid debts.

Credit Card Debt among Military Members vs. Civilians

Respondents who...	Civilian Total	Military Total
Have \$5,000 or more in credit card debt	28%	41%
Have \$10,000 or more in credit card debt	16%	27%
Have \$20,000 or more in credit card debt	7%	10%

(Source: 2010 National Financial Capability Study, Financial Industry Regulatory Authority)

PAST FORECLOSURE/SHORT SALE

Foreclosures and short sales can be harrowing experiences. The emotional pain of losing a home is damaging enough. But your financial future can also be plagued by the effects of foreclosure. Your credit score can take an 85 to 160 point hit following foreclosure, making it extremely difficult in the short term to qualify for any type of credit. Foreclosures and short sales can also be tough to forget, as they remain on your credit report for seven years after the filing date. You typically need to wait at least two years from the foreclosure to be eligible for a VA loan.

VA Guidelines

A past foreclosure doesn't automatically disqualify you from VA loan approval. However, if your foreclosure was on a VA loan, you may not have enough "entitlement" available for a new loan. VA loan entitlement can be complex to calculate, so you may want to consult with the VA or your lender if you have a past foreclosure on a VA loan.

Lender Guidelines

Foreclosures are understandably alarming to lenders. Lenders fear that a borrower's past behavior will continue and that a repeat foreclosure could be just around the corner. Most lenders mandate a two-year post-foreclosure waiting period, during which potential borrowers are typically ineligible for new loans. After this ineligibility period has expired, lenders will closely examine a borrower's recent history to gauge the likelihood of a repeat foreclosure.

How to Get Help for Bad Credit

One benefit of working with Veterans United is the availability of free credit counseling from the Department of Secondary Approval (DSA). DSA helps veterans identify and correct credit problems. Since DSA specializes in helping military buyers meet VA loan criteria, they are the perfect advocates for credit-challenged veterans. Repairing your credit through the DSA experts takes time and effort, but can result in drastic improvements to your fiscal well being. Talk to a DSA credit consultants at 888-392-7421.

PAST BANKRUPTCY

Bankruptcies can be even more damaging to a prospective borrower's credit than foreclosure. A Chapter 7 or 13 bankruptcy can slash your credit score from 130-240 points and stay on your credit report for up to 10 years.

VA Guidelines

Bankruptcies are ugly, but they won't immediately sink your chances of qualifying for a VA loan. The more time that has elapsed since your bankruptcy, the better. A two-year waiting period is usually ideal. The VA states that a Chapter 7 (liquidation) bankruptcy discharged more than two years ago can be disregarded. More recent Chapter 7 bankruptcies are usually more alarming, so it's best to wait at least two years before applying for VA financing.

Chapter 13 bankruptcy involves an effort to pay creditors. If a prospective borrower has maintained solid payments to those creditors for the past 12 months, the applicant is usually viewed by the VA as a satisfactory credit risk.

But if you have either type of bankruptcy in your past, be prepared for close scrutiny. You'll be asked to provide a written explanation for the bankruptcy and proof of job stability. You'll also have to show that you've re-established good credit.

Lender Guidelines

Most lenders won't automatically reject applicants based on a previous bankruptcy. Past bankruptcy is just one of many factors that will be considered during the application process. That's not to say that bankruptcies aren't worrying to lenders. They most certainly are. If you have a bankruptcy in your past and want a VA loan, you'll likely face a one-to two-year waiting period. In that time, do all you can to polish your credit profile. Make your payments on time. Pay off old debts if possible. Keep expenses in check. Do everything in your power to improve your appearance as a borrower.

LATE MORTGAGE PAYMENTS

If you already have a mortgage, hopefully you recognize the importance of timely payments. Late mortgage payments can incur fees and additional interest and possibly send your home down the track to foreclosure. A mortgage is a major obligation and failing to maintain proper payments can have serious consequences.

One 30-day late mortgage payment can result in a 60 to 110 point drop in your credit score. A 90-day late payment can cut up to 130 points from your score. Such a significant drop in your credit score could wipe you out of contention for a new mortgage, so it's vital to maintain timely payments.

VA Guidelines

The VA sees late mortgage payments as a sign that you may be unable to handle a mortgage. But the agency also realizes that sometimes forgetfulness gets the best of homeowners. You'll have a chance to justify your late payment to the VA, which requires a written explanation for any 30-day late payments within the past year.

Lender Guidelines

Lenders vary on their treatment of late mortgage payments. Many lenders won't allow any late payments (30 days or more) within the past 12 months. Others allow a maximum of one late payment in the past year. Some consider all applicants on a case-by-case basis and haven't set rigid standards regarding late payments.

DEBT-TO-INCOME RATIO

A borrower's total debt and income will be closely examined by the VA and the lender. In fact, the ratio of your debt to income must be close to a certain threshold in order to qualify for financing.

This threshold is known as the debt-to-income (DTI) ratio. To calculate your DTI ratio, a lender takes your monthly debt (housing, loans, child support, etc.) and divides that by your total monthly income. Lenders only consider "significant" debts in this calculation, which are generally those with a longterm obligation (10 months or more) or short-term obligations that are so large that they will cause a severe impact on a family's resources.

Example DTI Ratio Calculation

Mortgage payment	\$1,000
Auto loan	\$200
Student loan	\$100
Child support	\$100
Total monthly debt	\$1,400
Total monthly income	\$3,500
DTI ratio (\$1,400 divided by \$3,500)	40%

VA Guidelines

The VA benchmark is a DTI ratio at or below 41 percent. Borrowers with a ratio above that mark have to meet additional requirements for residual income (which we'll talk about next) in order to satisfy the agency and approved lenders.

Lender Guidelines

Most lenders will follow the 41 percent DTI ratio guideline encouraged by the VA. That's not to say it's impossible to obtain a loan with a DTI ratio higher than 41. But with a high DTI ratio, you're likely facing higher interest rates and slimmer chances of qualifying for financing.

RESIDUAL INCOME

The quantity and stability of a borrower's income will be closely analyzed during the application process. It's understandably important to ensure that your income is sufficient to cover the costs of owning a home.

But the VA and your lender will also ensure that you have enough income to cover your other typical expenses. This is what's known as the residual income. Residual income is the amount of net income available after deduction of debts and housing expenses to cover traditional living expenses such as food, health care, clothing and gasoline.

VA Guidelines

The VA seeks to protect servicemen and women by ensuring that a new mortgage doesn't place unbearable pressure on a family's budget. An overextended budget can lead to a host of problems, from late mortgage payments to foreclosure. The VA sets monthly standards against which a buyer's residual income is measured. These standards vary by location and family size. Here's a look at the breakdown:

Residual Monthly Income Standards 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	\$1,025	\$1,003	\$1,003	\$1,117
5	\$1,062	\$1,039	\$1,039	\$1,158
Over 5	Add \$80 for each additional member up to a family of seven			

These standards define how much money a family needs to have available each month after mortgage expenses and significant debts. For example, a family of four living in the Northeast needs to have \$1,025 available each month after paying the mortgage and other major expenses such as car loans, student loans and the mortgage. Prospective borrowers with a DTI ratio greater than 41 percent must meet an additional hurdle; their residual income must be 20 percent more than the monthly amount required by the VA. For example, that same family of four in the Northeast would need at least \$1,230 in residual income in order to satisfy the requirement.

Lender Guidelines

Lenders can reject a loan application if the prospective borrower fails to meet the residual income requirement. Borrowers with substantial income are safer bets when it comes to paying back loans, so lenders like to see a borrower with some freedom in their monthly budgets.

ASSET REQUIREMENTS

Many first-time homebuyers are just beginning to build their financial profiles. As such, it's common for novice borrowers to lack assets. The average VA borrower has just under \$7,000 in assets. Fortunately, the VA loan program features relaxed asset requirements for prospective borrowers.

VA Guidelines

The VA only asks that borrowers have the cash necessary to cover applicable loan costs. Since most borrowers pay little to no out-of-pocket closing costs with VA loans, the asset requirements are relatively minor.

Lender Guidelines

Lenders want to make sure you have cash to cover any loan closing costs but may add "reserve" requirements as well.

Reserves are extra funds that a borrower should have available to cover a certain number of mortgage payments in case of emergency. It's fairly common in today's market for lenders to require borrowers to have at least three months of mortgage payments socked away.

VA Applicants Must Have Cash to Cover:

- ☒ Closing costs that are not financed in the loan
- ☒ Down payment, if borrower chooses to make one
- ☒ Difference between the sales price and the loan amount, if applicable

TIP:

It's very common for sellers to agree to pay your closing costs! Ask for this concession during negotiations with the seller. If your seller agrees to pay closing costs, you probably won't need to bring any cash to the closing table.

EMPLOYMENT HISTORY

Income and assets are vital diagnostic tools for lenders. But employment history is an equally important element for lenders. Reliable, stable and likely to continue represent the ideal description of your employment and income status. There are certainly exceptions, but it's important for prospective borrowers to understand at the outset how the VA and lenders view employment.

VA Guidelines

The VA asks that military borrowers provide at least two years of employment history. Applicants without a two-year employment history are not immediately rejected, but they will definitely face challenges in qualifying for financing. There are certainly good reasons why a borrower might not have two consecutive years of steady employment, military service chief among them. But the VA and lenders want to see continuity. For example, a recently separated service member who worked as an MP and gets a civilian job as a police officer may be more likely to satisfy requirements than an MP who takes a job as a bank teller.

Lender Guidelines

The majority of lenders like to see two years of stable employment. Priority is given to applicants with full-time employment and consistent income. Since lenders are big fans of reliable income, it can be more challenging for part-time, seasonal or commission-based workers to garner approval.

Special Employment Situations

Commission-based employment

Income must be considered stable and likely to continue. Thus, commission-based jobs must have a history of consistency. Lenders will examine two years of your history to ensure your commission-based income is reliable enough to sustain a mortgage.

Self-employment

A self-employed applicant must provide profit-and-loss statements and a current balance sheet for their business. Generally, income from self-employment is considered stable when the applicant has been in business for at least two years.

Active military employment

Active military personnel must provide a Leave and Earnings Statement (LES) to their lender. The LES must be less than 120 days old and should document an applicant's current income.

JOINING THE RANKS

All financing options come with rules and regulations. Understanding these guidelines is key to success for prospective borrowers.

It's clear that VA loan recipients stand better chances of approval by selecting appropriate properties and refining their financial attributes. Reliable buyers and appreciating properties are often ideal investment opportunities for lenders and represent prime candidates for VA approval.

This long-cherished home loan is designed to be flexible. The relaxed credit standards and 100 percent financing offered by VA loans have paved the route to homeownership for many veterans who could not otherwise qualify for financing. Since 1944, more than 18 million VA loans have been issued to eligible service members.

To add your name to the roster of proud VA loan recipients, polish your credit and find a great property. Your future as a military homeowner starts today!