



Everything

YOU NEED TO KNOW ABOUT

VA Loans

Advantages

From qualification to down payment

Eligibility

The benefits of your service

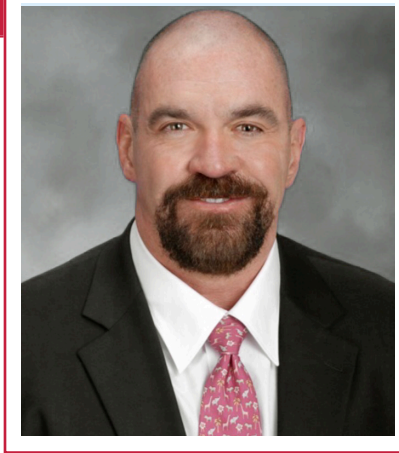
Comparison

How they really stack up to conventional loans

How It Works

Homebuying, refinancing, and more

Welcome to PenFed!



Winston Wilkinson
President, Mortgage Lending

Here to Serve Those Who've Served

Before PenFed became one of the country's strongest financial institutions, serving 2.8 million members worldwide, 10 volunteers came together in the Munitions Building on the Washington, D.C. Mall and founded the War Department Federal Credit Union. The year was 1935.

Almost 10 years later, with American boots still on the ground in World War II, President Franklin Roosevelt signed the 1944 Servicemen's Readjustment Act. In it, the VA Home Loan Guarantee Program was born.

The program has changed a lot since those days. The War Department Federal Credit Union is now PenFed Credit Union. And we're proud to continue supporting you, America's veterans and military families, with the tools, guidance, and spirit you need to help you fulfill your own American dream.

This eBook brings together the most important details of VA loans so you can be an informed borrower.

When you return home, you deserve a home. PenFed is here to open the door.

In gratitude,

A handwritten signature in black ink, appearing to read 'W. Wilkinson'.

Winston Wilkinson



FEATURES

02 What Is a VA Loan

05 VA Loan Eligibility

08 What You Need to Know About VA Loans and Interest Rates

10 VA Loans in the Homebuying Process

12 VA Refinance



Get a closer look!

When you see this symbol, pick up more helpful tips in our Mortgage Knowledge Center at [PenFed.org](https://www.penfed.org) >

What Is a VA Loan?

Veterans Affairs (VA) loans are special mortgage loans available only to eligible military service members, veterans, and surviving spouses. Backed by the U.S. government, VA loans offer more favorable terms for buying, building, improving, or refinancing a home.



Need more reasons to consider a VA loan? >

Top 5 Advantages of a VA Loan

1 No down payment

VA loans allow military families to purchase homes with little or no money down. As long as the home's purchase price is less than its appraised value, eligible borrowers can finance 100 percent. Keep in mind that if you've used a VA loan in the past, you may not be eligible to avoid a down payment.

Better interest rates

A lower interest rate can reduce monthly payments and save you thousands of dollars over the life of your loan. VA home loans generally have lower interest rates than conventional or FHA loans.

2

3 No mortgage insurance necessary

When buying a home with a low down payment, you may be required to purchase private mortgage insurance (PMI) to protect your lender if you stop making payments. Conventional mortgages typically ask for PMI with a down payment of less than 20 percent. (The FHA loan version is known as a mortgage insurance premium, or MIP.) Because VA loans are backed by the federal government, no PMI or MIP is required — lowering your monthly payment and allowing you to save or put more money toward the principal each month.

Fewer closing costs

To complete the homebuying process, your lender works with multiple parties on your behalf. Closing costs cover the time and expenses from activities like the mortgage underwriting, title and record filings, application and attorney fees, inspections, and more. The VA limits the total amount of closing costs and fees a borrower is required to pay. These fees and costs are negotiable between the buyer and the seller.

4

5 Easier to qualify

VA guidelines can be slightly less restrictive than those for a typical loan. You will still need to qualify based on credit, income, and VA loan eligibility, but overall the process can be easier than it is for a conventional or FHA loan.

5



When putting in an offer on a home, let your real estate agent know if you're using a VA loan so they can inform the seller.

VA Loan Eligibility



How do you qualify for a VA loan?

Your VA loan eligibility is determined by two entities: The U.S. Department of Veterans Affairs (VA) and a VA-approved mortgage lender.

The VA's qualifications for approval are based on a set of military service standards, such as your length and type of service. Your mortgage lender will focus on the financials. At PenFed, we determine eligibility based on factors including income, debt, credit score, and home appraisal.

Do I qualify for a VA loan?

Are you or your spouse a veteran, active-duty service member, or current or former activated member of the National Guard or Reserve?

YES  **NO**  **Not Eligible**

Veterans: Did you serve after August 2, 1990 for 24 continuous months? Active duty, National Guard, and Reservists: Have you served 90 days of continued service?

YES  **NO**  **Not Eligible**

Can you prove to a lender your ability to pay back the loan based on factors such as income and credit history?

YES  **NO**  **Not Eligible**

Will you live in the home you plan to purchase?

YES  **NO**  **Not Eligible**

If you answered **yes** to most or all of these, you may be eligible! Read on to learn more about the requirements and how to apply. If you have one or more **no** answers, remember: This is only a guide, not an official determination. Contact the VA or your lender to discuss your situation.



Certificate of Eligibility

Your VA seal of approval

A Certificate of Eligibility (COE) contains:

- Verification that you and/or your spouse meets the military status requirements for a VA loan.
- The details regarding your Entitlement and fees. (Your Entitlement is the amount the VA promises to repay to a lender in the event you default on your mortgage.)

How to obtain your COE


You can request your COE directly from the VA. Your lender can help you complete the request or apply on your behalf.

Here are the documents you need to apply for your COE

- If you're a veteran, you'll need to provide a copy of your discharge papers (DD214).
- If you're a current or former activated member of the National Guard or Reserve, you'll need to provide a copy of your discharge papers (DD214).
- If you're an active-duty service member, you need to provide a statement of your service signed by your commander or personnel officer. The statement should include pertinent details regarding your service.

Find additional details and apply for your COE on the [VA website](#).

 **Want more eligibility guidance? We'll take you step by step >**

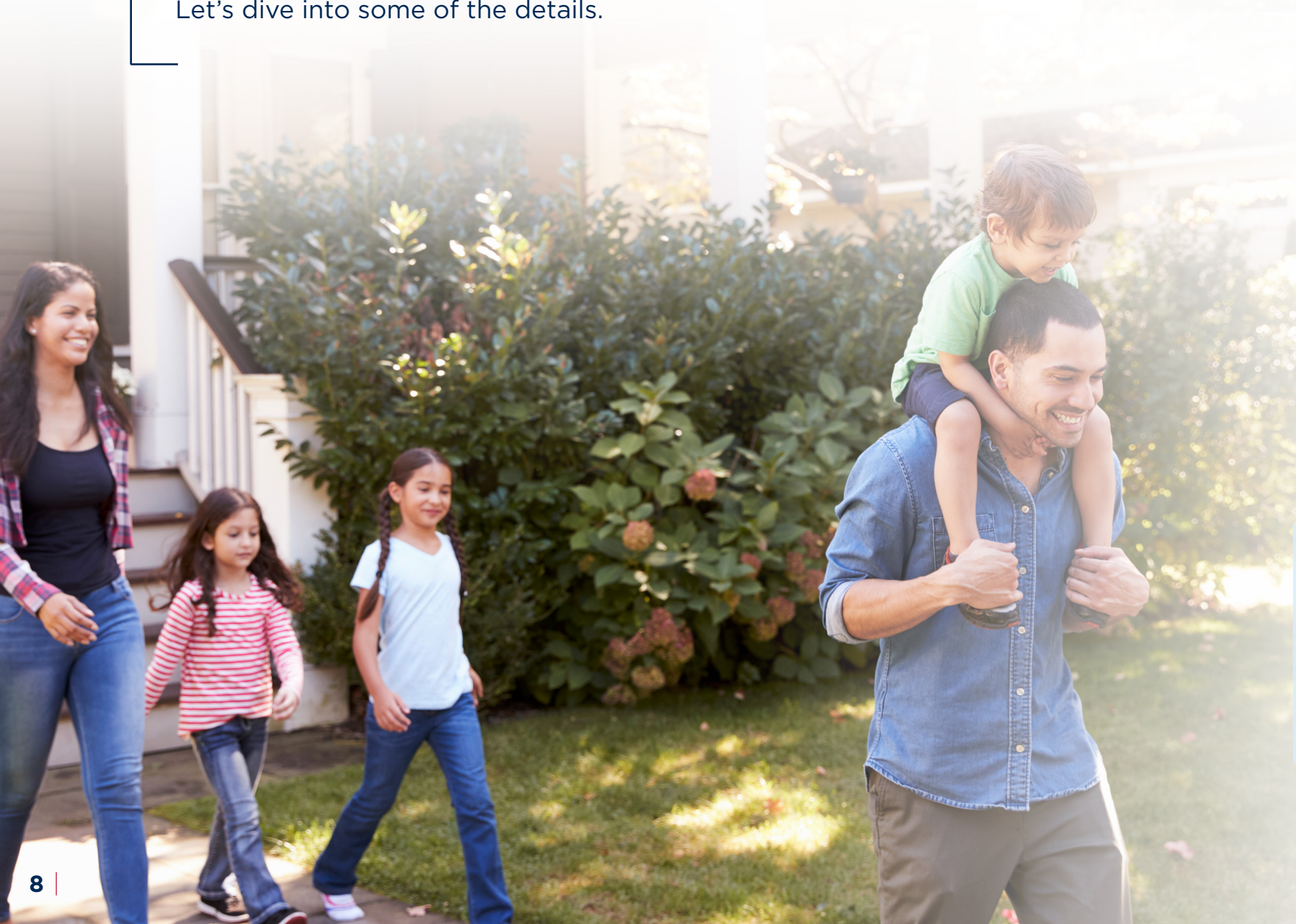


Curious which one is right for you? Read how else fixed rates and ARMs compare >

What You Need to Know About VA Loans and **Interest Rates**

No down payment, better interest rates, no insurance fees, fewer closing costs. Do you see a common thread?

VA loans offer many money-saving benefits — from potentially avoiding closing costs to choosing your interest rate type. Let's dive into some of the details.



Types of VA purchase loans

If you're eligible to purchase a home with a VA loan, you'll have the option to choose between a fixed and adjustable rate mortgage as well as how your interest rate is structured.

VA Fixed Rate Mortgage

A fixed rate VA loan is just that — the interest rate is locked in at the time of closing and remains the same throughout the life of the loan. These are often offered over 15 or 30 years, and you can choose the term that's best for you.

- 30 years — Higher interest rate; lower monthly payments; pay more overall
- 15 years — Lower interest rate; higher monthly payments; pay less overall

VA Adjustable Rate Mortgage (ARM)

With an adjustable rate mortgage (ARM), the interest rate changes over time. An ARM VA loan usually fluctuates with market conditions each year after a lower-rate introductory period. ARMs can come in several variations:

- 3/1 ARM — Has a fixed interest rate for three years and adjusts each year after
- 5/1 ARM — Has a fixed interest rate for five years and adjusts each year after
- 7/1 ARM — Has a fixed interest rate for seven years and adjusts each year after

NADL VA Loan for Native Americans

If you or your spouse is a Native American that is an enrolled member of a federally recognized tribe, you may be able to use a Native American Direct Loan (NADL) to buy, build, or improve a home on federal trust land. You may also be able to refinance an NADL loan.



VA Loans in the Homebuying Process

If you're new to homebuying, it can feel intimidating. And if you're buying a home with a VA loan, there are a few additional details to be aware of. These include minimum property requirements and VA funding fees.

VA property requirements

Before you get your heart set on a house, it's important to understand the properties that qualify for VA loans. The VA created minimum property requirements (MPRs) to ensure the house you buy is safe and clean, so you aren't burdened with expensive or dangerous repairs. The home must pass a set of standards before it is purchased with a VA loan.

MPRs are assessed by a VA-backed appraiser, and must be successfully completed before a lender can approve your mortgage application. The appraiser will look at criteria including space requirements, roof stability, and the presence of a heating and cooling system.

VA funding fees

The VA funding fee is a one-time payment to the Department of Veterans Affairs to help keep the program running for future generations. It can be paid up front or rolled into the cost of the loan.

Three factors that determine VA funding fees:

- Previous VA-backed loans
- Amount of down payment (if any)
- Total amount you borrow

Even though VA loans have funding fees, you'll likely find that the benefits of a VA loan outweigh these. Plus, some borrowers are exempt.

3 types of single homes you can't buy with a VA loan:

- Rentals
- Vacation homes
- Fixer-uppers

Discover the 7 steps to buying a home in our eBook.

Explore more about **refinancing** in our [eBook](#).



VA Refinance

Maybe you already have a mortgage and want to refinance. If you're eligible for a VA home purchase loan, you may also qualify for a VA refinance.

IRRRL VA refinance vs. cash-out VA refinance

The VA offers two options to refinance: the VA IRRRL (Interest Rate Reduction Refinance) program and the VA cash-out refinance.

The VA IRRRL program is for borrowers with a current VA loan who want to lower their rate, change their loan's term, or refinance from an ARM to a fixed-rate loan but not receive cash out from their equity. You must have used your VA benefit to buy your home to use this program.

A VA cash-out refinance allows you to tap into the equity in your home and use it as cash for home improvements, debt consolidation, or other needs.

	IRRRL VA REFINANCE	CASH-OUT VA REFINANCE
BENEFITS	A lower interest rate, if available	Refinance a conventional loan to VA loan
	No appraisal and no monthly private mortgage insurance (PMI)	Refinance an existing loan to take advantage of cash equity
REQUIREMENTS	A current VA loan	Proof of income with your last month of pay stubs or two years of tax returns if you're self-employed
	Proof of income is not required unless your payment increases by 20% or more.	On-time mortgage payments for the last 12 months
	W-2s for the last two years if you work for an employer; additional financial documents may be required if you're self-employed	You must live in the home you're refinancing with the loan
	Proof you paid your current loan on time in the previous 12 months	Proof there is a net tangible benefit to refinancing
	The IRRRL program doesn't require a specific credit score, proof of income, proof of assets, or a new home appraisal. But each lender has their own rules. The VA allows lenders to use the information from your purchase loan to qualify for the IRRRL.	An updated appraisal to determine your home's value

How to refinance your VA loan

To refinance your VA loan, you'll need your COE. Once you prove eligibility, you can refinance using the IRRRL or the VA cash-out refinance program. Both programs have flexible guidelines allowing you to refinance at competitive rates and fees.

Ready to take charge?

From the VA loan's unique benefits to eligibility, loan options, and requirements, we've covered a lot of ground in these pages. Do you feel armed with the knowledge you need to move forward in your journey to homeownership or home improvement?

Don't go alone.

You know the value of having a trusted team by your side. PenFed is here to help you through the complexities of mortgage lending. You have the dream. We have the resources. Let's go.



Check out all our PenFed Mortgage Knowledge Center references:

What is a VA Loan?

Page 3, Need more reasons to consider a VA loan?

<https://www.penfed.org/mortgage-knowledge-center/10-reasons-why-you-should-get-a-va-loan>

Eligibility

Page 7, Want more eligibility guidance? We'll take you step by step

<https://www.penfed.org/mortgage-knowledge-center/va-loan-eligibility-step-by-step>

Interest Rates

Page 9, Curious which is right for you? Read how else fixed rates and ARMs compare

<https://www.penfed.org/mortgage-knowledge-center/va-fixed-rate-vs-va-adjustable-rate-mortgage>

Closing Day FAQs

Page 11, Wondering what your VA funding fees may be? Find out now

<https://www.penfed.org/mortgage-knowledge-center/what-is-a-va-loan-funding-fee>

Disclaimer: Dollar amounts, fee estimates, percentages, and any and all other references to mortgage financing are general estimates only and not to be construed as statements of fact or as a promise to offer or extend any rights, privileges, or permissions to any individual or entity.

VISIT SOURCES



© 2022 PenFed Credit Union

