



VA LOANS

UNDERSTANDING THE PROCESS



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VA LOANS

You've dedicated your service to the country, and for that, we express our gratitude! As a veteran, you may qualify for a government-guaranteed loan program commonly referred to as a VA loan. Typically, the following steps outline the process for securing a VA loan to purchase a home.

1. FIND A LENDER

Find a financial institution that is part of the VA program. Consider getting "pre-qualified" at this stage, determining the loan amount and purchase price within your approval range. Since lenders establish their own interest rates, discount points, and closing points, it's advisable to explore different options and shop around.

2. GET YOUR CERTIFICATE OF ELIGIBILITY

The Certificate of Eligibility (COE) serves as confirmation to both the lender and the VA that you satisfy the eligibility criteria for a VA loan. Further details regarding the documentation you need to submit and the process of applying for a COE can be found in the attached pages.

3. GET PRE-QUALIFIED

This involves working with a lender who participates in the VA program to assess your financial situation and determine the loan amount and purchase price you can afford. Prequalification not only provides you with a clear understanding of your budget but also enhances your credibility as a buyer.

4. FIND A HOME AND SIGN A PURCHASE AGREEMENT

Collaborate with a real estate professional to negotiate and finalize a purchase agreement. Ensure that the purchase and sales agreement includes a "VA Option Clause." Here is a sample of such a clause:

"It is expressly agreed that, notwithstanding any other provisions of this contract, the purchaser shall not incur any penalty by forfeiture of earnest money or otherwise be obligated to complete the purchase of the property described herein if the contract purchase price or cost exceeds the reasonable value of the property established by the Department of Veterans Affairs. The purchaser shall, however, have the privilege and option of proceeding with the consummation of this contract without regard to the amount of the reasonable value established by the Department of Veterans Affairs."

Consider incorporating into the purchase agreement a provision that allows you to "escape" from the contract without incurring penalties if you encounter difficulties securing a VA loan.



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5. APPLY FOR YOUR VA LOAN

Collaborate with the lender to finalize a loan application and compile necessary documents, including pay stubs, bank statements, W-2s and/or tax returns, along with letters of explanation. Rely on the expertise of a skilled loan officer who can assist you in navigating the application and loan procedures, offering valuable guidance and advice throughout the process.

6. LOAN PROCESSING

The lending process advances with the lender initiating a VA appraisal and commencing the processing of credit and income information. It's important to note that the VA's appraisal is not equivalent to a home inspection or a value guarantee; rather, it provides an estimate of the market value on the inspection date. While the appraiser assesses apparent repairs, VA does not assure the overall condition of the house. It's crucial to understand that the appraiser, licensed and not a VA employee, is assigned on a rotating basis, and the lender cannot specifically request an appraiser. Subsequently, the lending institution underwrites the file, meticulously reviewing the appraisal, along with all credit, income, and asset documentation.

7. CLOSING

A title company or an attorney of your choice will conduct the closing. This person will coordinate the date/time and help you sign all of the paperwork, and then the property is transferred.



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ELIGIBILITY REQUIREMENTS FOR VA HOME LOANS

To obtain a COE, you must have been discharged under conditions other than dishonorable and meet the service requirements below:

For Veterans:

PERIODS	DATES	MINIMUM ACTIVE DUTY REQUIREMENT
WW2	9/16/1940 - 7/25/1947	90 total days
POST WW2	7/26/1947 - 6/26/1950	181 continuous days
KOREAN WAR	6/27/1950 - 1/31/1955	90 total days
POST KOREAN WAR	2/1/1955 - 8/4/1964	181 continuous days
VIETNAM WAR	8/5/1964 - 5/7/1975 *For Veterans who served in Republic of Vietnam, the beginning date is 2/28/1961	90 total days
POST VIETNAM WAR	5/8/1975 - 9/7/1980 *The ending date for officers is 10/16/1981	181 continuous days
GULF WAR	8/2/1990 - Present	24 continuous months, OR The full period (at least 181 days) for which you were called or ordered to active duty
24 MONTH RULE	9/8/1980 - 8/1/1990 *The beginning date for officers is 10/17/1981	24 continuous months, OR The full period (at least 181 days) for which you were called or ordered to active duty

For Active Duty Members:

ANY	Any	90 continuous days
GULF WAR	8/2/1990 - Present	90 days of active service

For National Guard and Reservists:

Six years of service in the Selected Reserve or National Guard, AND

- Were discharged honorably, OR
- Were placed on the retired list, OR
- Were transferred to the Standby Reserve or an element of the Ready Reserve other than the Selected Reserve after service characterized as honorable, OR
- Continue to serve in the Selected Reserve

**If you do not meet the minimum service requirements, you may still be eligible if you were discharged due to (1) hardship, (2) the convenience of the government, (3) reduction-in-force, (4) certain medical conditions, or (5) a service-connected disability.*



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3 WAYS TO GET THE LOWEST INTEREST RATE

1

START WITH A REPUTABLE LENDER

One common error made by borrowers is regarding a mortgage as a commodity, akin to purchasing a TV or computer. Mortgages are essentially a service, and the reputation and reliability of the lender play a pivotal role. Relying on a lender solely based on their advertised or quoted rate can lead to disappointments.

Mortgage rates fluctuate daily, shaped by the pricing of mortgage-backed securities on Wall Street. The rate initially quoted, even if provided in a Good Faith Estimate, holds no binding commitment until you submit an application and can secure that rate through a lock-in. Opting for a lender based solely on the lowest quoted rate doesn't ensure securing that rate at closing, and it certainly doesn't guarantee a successful closing.

Rather than relying on rate comparison, prioritize your choice of lender based on your comfort level. Trust your instincts and select a lender committed to efficiently processing your application and ensuring a successful loan closure. Recognize that many lenders are vying for your business, offering competitive rates to remain viable. To secure the best rate possible, foster a close working relationship with your loan officer.

3 WAYS TO GET THE LOWEST INTEREST RATE

2

LET THE LOAN OFFICER HELP YOU

Fostering trust in the mortgage process is not only crucial but can also save borrowers money. Amidst the complexities, there exists a valuable ally – the loan officer – who plays a pivotal role in securing the best rates and fees for borrowers.

A significant development in 2011 saw the implementation of government legislation preventing loan officers from receiving varied compensation based on borrower interest rates. This regulation ensures that loan officers have no vested interest in steering borrowers towards higher rates. Instead, their motivation lies in securing favorable rates, cultivating satisfied clients, and garnering referrals. The majority of loan officers in the mortgage industry thrive on closed loans, directly impacting their earnings.

Listening to your loan officer and placing trust in their expertise can yield benefits. Loan officers are well-equipped to guide you through decisions such as weighing the advantages and disadvantages of paying points or opting for lender rebate credit to cover closing costs instead of chasing a slightly better rate. It's essential to collaborate closely with your loan officer, leveraging their experience and insights to navigate the intricacies of the mortgage process effectively.

3 WAYS TO GET THE LOWEST INTEREST RATE

3

SEE IF YOU QUALIFY FOR BETTER

When collaborating with your loan officer, inquire about potential strategies for securing improved terms for a more favorable payment or interest rate. Ensure you are obtaining the most advantageous terms for your specific situation by asking the following questions:

- Are there any loan level price adjustments that pertain to my borrowing circumstances?
- Can enhancing my credit score contribute to obtaining a better rate or more favorable program? If yes, is there a viable plan to improve my credit score?
- Is it worthwhile to consider the current offer, or should I focus on improving my credit score?
- Is there a program that provides lender-paid mortgage insurance or reduced private mortgage insurance premiums? (Relevant if mortgage insurance is part of the arrangement.)
- Will you assist me in monitoring the mortgage markets to identify opportune moments for locking in my interest rate?

Collaborate with your loan officer to address these queries, ensuring they guide you in securing the most advantageous mortgage offer tailored to your needs.