

VA Homebuyer's GUIDE



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# BUYER'S GUIDE

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# MEET YOUR AGENT

*Hi, I'm Erica*



Hello! I'm Erica Schlecht, a proud military spouse who truly understands the challenges of relocation. Having lived from coast to coast, I've experienced firsthand the unique market shifts and stress that can come with moving.

Over the years, I've developed proven strategies to make transitions smoother and less overwhelming. I'm excited to support you every step of the way.

Buying a home is one of the most important decisions you'll make, and my goal is to make the process as seamless and rewarding as possible. Whether you're moving across town or across the country, I can also connect you with trusted agents nationwide to ensure you have the best resources at your fingertips.

Let's make your home-buying journey a positive, confident, and successful experience!

*Let's Connect*



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# THE HOME BUYING PROCESS

*Steps to Finding Your Dream Home*



## *Where to Start*

- GET PRE-APPROVED WITH A VA SPECIALTY LENDER
- DETERMINE YOUR HOME SHOPPING BUDGET
- MEET WITH YOUR REALTOR
- START HOUSE-HUNTING

# BUT 1ST, GET PRE-APPROVED!

*Be Ready to Make an Offer*

*House shopping is an exciting time!*

*Get pre-approved for a loan first so you can be ready to make an offer when you find a home you love.*

## PRE-QUALIFIED VS PRE-APPROVED



*Pre-Qualified*

In order to be pre-qualified, a lender may or may not check your credit score and won't require documentation, only going off what you tell them. This will give you an idea of what you could qualify for, but when you're serious about buying, you'll need to get pre-approved.

*VS*



*Pre-Approved*

To be pre-approved, the lender will pull your credit and ask you for documentation to verify your finances. Before making an offer on a house, it is best to get pre-approved to show sellers your offer is serious and that a lender has already approved you for enough money to purchase the home.

# YOUR HOME LOAN OPTIONS

## *VA Home Loans vs Other Loans*

### THE VA HOME LOAN PROGRAM

The VA Home Loan Program is a government-backed mortgage option designed to assist veterans, active-duty service members, and eligible surviving spouses in purchasing homes. Established by the Department of Veterans Affairs (VA), this program offers several advantages, including no down payment requirement, competitive interest rates, and lenient credit qualifications. VA loans are provided by private lenders but are guaranteed by the VA, which reduces the risk for lenders and makes homeownership more accessible to those who have served in the military.

This guide is designed to empower you to make informed decisions when choosing a home loan, by providing you with comprehensive information on the benefits and advantages of utilizing a VA Home Loan, as well as the eligibility requirements and other important details about the program.

| VA LOANS  | CONVENTIONAL LOANS                                       | FHA LOANS  |
|---|--|--|
| 0% Down Payment                                       | 3 - 20% Down Payment                                     | 3.5 - 20% Down Payment                                       |
| No PMI<br>(No private mortgage insurance is required) | PMI is Required<br>(If the downpayment is less than 20%) | Upfront & Annual Mortgage Insurance Premiums Required        |
| Lowest Average Interest Rates on the Market           | Rates Depend on Applicants Credit Score                  | Lower Interest Rates than Conventional, Higher than VA Loans |
| Lowest Loan Origination Costs                         | Middle of the Road Loan Origination Costs                | Highest Loan Origination Costs                               |
| Easier to Qualify                                     | Qualifications Based on Credit Score                     | Easier to Qualify  |

# BENEFITS OF A VA HOME LOAN

*Why Choose a VA loan?*

*There are many advantages of VA home loans over other home loan options, including the following:*

## 100% FINANCING

Currently, VA loans stand out as one of the rare loan programs that do not demand a down payment. In the past, numerous 100% financing programs have faded away, leaving behind a landscape where lenders typically mandate a down payment ranging from 3.5% to 20% to secure financing.

## NO MORTGAGE INSURANCE REQUIRED

With a conventional mortgage, if a borrower doesn't provide a minimum down payment of 20%, they're obligated to pay for private mortgage insurance (PMI). However, even without a down payment, a VA home buyer is exempt from monthly PMI payments with a VA loan. This exemption can lead to significant monthly savings, typically ranging from \$200 to \$400.

## LOWER INTEREST RATES

VA loans typically offer lower interest rates compared to conventional mortgages. This means that veterans and military personnel can enjoy reduced monthly mortgage payments, ultimately saving money over the life of the loan. The lower interest rates provided by VA loans reflect the government's guarantee of a portion of the loan amount, which mitigates risk for lenders and translates into more favorable terms for borrowers.

## FLEXIBLE CREDIT REQUIREMENTS

VA loans often have more flexible credit requirements compared to conventional mortgages. While credit history is still considered, VA lenders may be more lenient with credit scores and past financial issues. This flexibility can be especially beneficial for veterans and military personnel who may have faced challenges related to their service or transitioning to civilian life.

# ELIGIBILITY REQUIREMENTS

*Who is Eligible for a VA Loan?*

## YOU MAY BE ELIGIBLE IF YOU SERVED:

- 90 consecutive days of active service during war time
- 181 consecutive days of active service during peacetime
- More than 6 years in the National Guard
- More than 6 years in the Reserves

## OCCUPANCY REQUIREMENTS

Unlike conventional loans, which can be used for vacation homes or rental properties, VA loans are exclusively for primary residences. This means that VA loan applicants should be prepared to move into the home within 60 days after the loan closing. However, exceptions may be made for applicants whose non-military employment prevents immediate relocation, or for those who travel extensively for business but maintain continuous residence in the community.

In cases where the primary borrower is unable to occupy the property due to active duty commitments, their spouse can satisfy the move-in requirement. Service members deployed from their permanent duty are considered to have temporary duty status, and VA loans can still be approved without the spouse needing to occupy the home until the service member returns.

For Interest Rate Reduction Refinancing Loans (IRRRL), there is no specific time requirement for occupancy. VA borrowers only need to certify that they previously occupied the home being refinanced.

# VA HOME LOAN FAQs

## *Commonly Asked Questions*

### CAN VA LOANS FINANCE SECOND HOMES OR VACATION HOMES?

VA loans are primarily designed for acquiring a primary residence, where you intend to reside full-time. However, in specific situations, you might be eligible to utilize a VA loan for a second home, provided you meet certain criteria and have the intention to occupy the property at some point. It's crucial to discuss your individual circumstances with a VA-approved lender.

### CAN MY VA LOAN BE ASSUMED BY ANOTHER BORROWER?

Absolutely. VA loans are assumable, meaning another eligible veteran can assume your existing VA loan if they meet the requisite criteria. This feature can be advantageous if you opt to sell your home, as it allows the buyer to assume your loan's terms and interest rate, potentially enhancing its appeal.

### WHAT ARE THE CLOSING COSTS FOR VA LOANS?

VA loans typically entail lower closing costs compared to conventional loans. However, veterans are prohibited from covering specific closing costs, such as the lender's processing fee. These costs may be covered by the seller or the lender. It's advisable to consult your VA-approved lender for an accurate breakdown of closing costs.

### CAN I UTILIZE MY VA LOAN BENEFIT MULTIPLE TIMES?

Yes, VA loan entitlement is reusable under certain conditions. If you've previously utilized a VA loan and have remaining entitlement, you can leverage it again to purchase another home. Nonetheless, your eligibility for subsequent VA loans may hinge on factors like the amount of remaining entitlement and whether you've paid off your previous VA loan.

### ARE THERE INCOME & CREDIT SCORE REQUIREMENTS FOR VA LOANS?

While VA loans typically feature more flexible credit requirements, lenders may impose their own credit score and income criteria. The VA does not establish a minimum credit score, but most lenders seek a credit score of approximately 620 or higher. Your income will also be evaluated to ensure you can effectively manage the loan.

# CLOSING COSTS FEES

*Here's What You Can Expect*

## ALLOWABLE FEES WITH A VA LOAN

YOU MAY BE RESPONSIBLE FOR PAYING THE FOLLOWING FEES:

- ▶ VA funding fee: This one-time fee is paid directly to the Department of Veterans Affairs to support the VA home loan program.
- ▶ VA appraisal fee: You will need to pay for a VA appraisal to determine the value of the home.
- ▶ Credit report fee: Lenders will need a copy of your credit report. This service should cost less than \$50.
- ▶ Origination fee: A lender may charge a flat fee of 1% of the loan amount to cover their costs, or they may break up the allowable fees into an itemized list.
- ▶ Title insurance: Title insurance is designed to protect the lender and buyer in case the property has claims against it, such as outstanding liens or back taxes.
- ▶ Recording fee: A recording fee covers the cost of transferring ownership of the property at the appropriate government office.
- ▶ Discount points: You can pay for reasonable discount points when using a VA loan if you choose to use them.
- ▶ Flood zone determination fee: You can pay a third party to determine whether a property is in a flood zone.
- ▶ Mailing fees for refinancing: If you're refinancing, you can pay for mailing charges associated with any necessary paperwork that needs to be mailed.

## NON-ALLOWABLE FEES WITH A VA LOAN

YOU CANNOT PAY FOR THE FOLLOWING FEES:

- ▶ Real estate attorney fees
- ▶ Real estate broker fees
- ▶ Agent or REALTOR® fees: Agent fees are often paid by the seller
- ▶ Application fees: The lender cannot charge you an application fee
- ▶ Escrow fees: You can't pay any fees to set up an escrow account
- ▶ Rate lock fees: Fees to lock in an interest rate are prohibited
- ▶ Additional appraisals or inspections ordered by the lender

# VA FUNDING FEE

## *What You Need to Know*

The VA funding fee is a one-time fee that is required by the Department of Veterans Affairs (VA) for most VA loan borrowers. This fee helps offset the cost of the VA loan program to taxpayers, as the VA guarantees a portion of each VA loan against default, thereby reducing the risk for lenders.

The amount of the funding fee varies depending on factors such as the type of VA loan, the borrower's military service status, and the down payment amount (if any). Generally, the funding fee is calculated as a percentage of the loan amount and can be paid upfront as part of the closing costs or rolled into the loan amount.

While the funding fee may add to the upfront costs of obtaining a VA loan, it enables veterans, active-duty service members, and eligible surviving spouses to access the benefits of VA home loans, such as no down payment requirement, lower interest rates, and no private mortgage insurance (PMI). Additionally, certain borrowers, such as those receiving disability compensation from the VA or eligible for it due to a service-connected disability, may qualify for a funding fee exemption or reduction.

| RATE CHART      | IF YOUR DOWN PAYMENT IS... | YOUR VA FUNDING FEE WILL BE... |
|-----------------|----------------------------|--------------------------------|
| FIRST USE       | Less than 5%               | 2.15%                          |
|                 | 5% or more                 | 1.5%                           |
|                 | 10% or more                | 1.25%                          |
| AFTER FIRST USE | Less than 5%               | 3.3%                           |
|                 | 5% or more                 | 1.5%                           |
|                 | 10% or more                | 1.25%                          |

# CHOOSING A LENDER

*For Your VA Loan*

*Not all Lenders are the Same.*

*A reputable VA lender will have experience working with veteran borrowers, offer competitive interest rates, and help you evaluate all of your mortgage options.*

## QUESTIONS TO ASK LENDERS

- What is your experience with VA loans?
- What are the current interest rates and loan options available for VA loans?
- What fees and closing costs are associated with the VA loan?
- What support and resources do you provide to your VA borrowers?
- How long does the process typically take?

# LOAN APPLICATION CHECKLIST

## *Documents Typically Required by VA Lenders*

*To determine loan eligibility, lenders typically require the following types of documents from each applicant:*

### INCOME DOCUMENTS

- Federal tax returns: last 2 years if self-employed
- W-2s: last 2 years
- Pay stubs: last 30 days
- Any additional income documentation: pension, retirement, child support, Social Security/disability income award letters, etc

### ASSET DOCUMENTS

- Bank statements: 2 most recent checking and savings account statements
- 401(k) or retirement account statement and summary
- Other assets: statements and summaries of accounts you'd like to use to qualify

### OTHER DOCUMENTS

- Certificate of Eligibility (COE)
- Copy of driver's license or ID and Social Security card
- Documents relating to any of the following if applicable: divorce, child support bankruptcy, collections, judgements or pending lawsuits

# HOUSE WANTS & NEEDS LIST

## *Important Features You're Looking for in a Home*

Determine the features you are looking for in your ideal home and prioritize which items are most important to you. No house is perfect, but this will help us find the best match for you.

### TYPE OF HOME

- Single Family Home     Townhouse     Condo     Other \_\_\_\_\_

### CONDITION OF HOME

- Move-In Ready     Some Work Needed is OK     Fixer Upper

### DESIRED FEATURES

\_\_\_\_ Bedrooms    \_\_\_\_ Bathrooms    \_\_\_\_ Car Garage    (Circle) Small or Large Yard

Ideal Square Footage: \_\_\_\_\_

Desired Location/Neighborhood/School District: \_\_\_\_\_

*Must Have*

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*Would Like to Have*

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# HOUSE HUNTING TIPS

## *Tips for Finding Your Ideal Home*



### *Investigate the Area*

Drive around neighborhoods that interest you to get a feel of the area, how the homes are cared for, what traffic is like, etc.



### *Ask Around*

Talk to family, friends and co-workers to see if anyone might know of a house for sale in an area you're interested in. One of them may even know of someone that's thinking about selling but hasn't put the house on the market yet.



### *Keep an Open Mind*

Finding your dream home isn't always an easy task! Have a priorities list but keep an open mind when viewing houses.



### *Take Pictures & Notes*

When you visit multiple houses it gets difficult to remember specific details about each one. Take photos and notes while touring houses so that you can reference them later when comparing the properties that you've seen.



### *Be Ready to Make an Offer*

When you find a home you want to buy, keep in mind there may be others interested in it as well. Be ready to make a solid offer quickly in order to have the best chance at getting that home.

# MAKING AN OFFER

## *Factors that can Make an Offer More Enticing*

*When we have found a home that you're interested in buying, we will quickly and strategically place an offer.*

### PUT IN A COMPETITIVE OFFER

We will decide on a reasonable offer price based on:

- > Current market conditions
- > Comparable properties recently sold in the area
- > The property value of the house
- > The current condition of the house

### PAY IN CASH VS. LOAN

Paying in cash versus taking out a loan offers a faster closing timeline and less chances of issues arising, making it more appealing to sellers.

### PUT DOWN A LARGER DEPOSIT

An offer that includes a larger earnest money deposit presents a more serious and competitive offer.

### ADD A PERSONAL TOUCH

Include a letter to the sellers with your offer, letting them know what you love about their home. Adding this personal touch can give you an advantage over other offers by making yours stand out from the rest.

### OFFER A SHORTER CLOSING TIMELINE

An offer with a shorter timeframe for closing is generally more attractive to sellers over one with an extended time period with a house sale contingency. A typical closing timeframe is 30-45 days.

# OFFER ACCEPTED!

## *What's Next*

*Once the seller has accepted your offer, both parties sign a sales agreement and you're officially under contract.*

### PUT YOUR DEPOSIT INTO AN ESCROW ACCOUNT

Your earnest money deposit will be put into an escrow account that is managed by a neutral third party (typically a title company or bank) who holds the money for the duration of the escrow period. They will manage all the funds and documents required for closing, and your deposit will go towards your down payment which is paid at closing.

### SCHEDULE A HOME INSPECTION

Home inspections are optional but highly recommended to make sure that the home is in the condition for which it appears. Inspections are typically completed within 10-14 days after signing the sales agreement.

### RENEGOTIATE IF NECESSARY

The home inspection will tell you if there are any dangerous or costly defects in the home that need to be addressed. You can then choose to either back out of the deal completely, ask for the seller to make repairs, or negotiate a lower price and handle the repairs yourself.

### COMPLETE YOUR MORTGAGE APPLICATION

Once you've come to an agreement on the final offer, it's time to finalize your loan application and lock in your interest rate if you haven't done so already. You may need to provide additional documentation to your lender upon request.

### ORDER AN APPRAISAL

An appraisal will be required by your lender to confirm that the home is indeed worth the loan amount. The appraisal takes into account factors such as similar property values, the home's age, location, size and condition to determine the current value of the property.

# WHAT NOT TO DO

## *During the Home Buying Process*

*It's extremely important not to do any of the following until after the home buying process is complete:*



BUY OR LEASE A CAR



CHANGE JOBS



MISS A BILL PAYMENT



OPEN A LINE OF CREDIT



MOVE MONEY AROUND



MAKE A MAJOR PURCHASE



Any of these types of changes could jeopardize your loan approval. It's standard procedure for lenders to also do a final credit check before closing.

# FINAL STEPS BEFORE CLOSING

*You're Almost there!*

## *Insurance Requirements*

Most lenders require both homeowner's insurance and title insurance. Homeowners insurance protects your home and possessions against damage and theft, while title insurance protects the lender and/or homeowner from financial loss against claims regarding the legal ownership of a home. Policies vary so it's recommended to get quotes from multiple companies to compare price, coverage and limits.

## *Closing Disclosure*

At least 3 days before closing, lenders are required to provide you with a Closing Disclosure with your final loan terms and closing costs for you to review. Closing costs for the buyer typically range from 2-5% of the purchase price, which can include lender fees, lender's title insurance, and HOA dues if applicable.

## *Final Walk Through*

Within 24 hours of closing we will do a final walk through of the home before signing the final paperwork. This last step is to verify that no damage has been done to the property since the inspection, that any agreed upon repairs have been completed, and that nothing from the purchase agreement has been removed from the home.

*Next Step: Closing!*

# CLOSING DAY

*Congratulations, You Made it to Closing!*

*Closing is the final step of the buying process.*

On the day of closing you'll be going over and signing the final paperwork, and submitting a cashier's check (or previously arranged wire transfer) to pay the remaining down payment and closing costs. Property ownership is then officially transferred from the seller to the buyer.

## ITEMS TO BRING TO CLOSING FOR VA HOME LOANS

- ✓ Government Issued Photo ID
- ✓ Certified Funds or Cashier's Check



*Enjoy your new home!*



*Buy with Confidence*

*Homes*  
BY ERICA T