

VA Home Loans: Everything You Need to Know in 2023

Homebuying program for veterans and active-duty military

If you've served or are currently serving in the military, a VA home loan is likely the best way to break into homeownership.

More than 380,000 veterans and servicemembers purchased a home with a VA loan in 2019 (most recent data), and it's easy to see why.

VA loans offer competitive credit score requirements, no monthly mortgage insurance, and the best part: no money down when the veteran has full entitlement benefits available.

If you're a veteran, you have a serious leg-up on the typical homebuyer.

What is a VA home loan?

VA loans are backed by the U.S. Department of Veterans Affairs (VA). The VA helps servicemembers, veterans, and eligible surviving spouses become homeowners.

Why does the VA offer this benefit? In its own words, to offer "personalized benefits and services that honor their service...[and] enhance their lives."²

Homeownership is certainly one element of an "enhanced life" for many people, and VA loans go a long way toward creating solid homeownership opportunities. But you don't go to VA directly to get these loans.

Your everyday private lender, bank, or mortgage company offers these loans, giving you the best of both worlds: the ease and speed of working with a private company plus the backing of the Department of Veterans Affairs.

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The flexible VA home loan guidelines make homeownership attainable for active servicemembers and surviving spouses who might not qualify for conventional mortgages.

VA home loan benefits:

- Competitive minimum credit score
- 0% down payment (with full entitlement benefits available)
- No monthly mortgage insurance
- Option to roll the VA funding fee into certain VA loan products, reducing the cash to close needed to qualify

Types of VA home loans

In this article, we'll be referring to VA purchase loans. But the VA backs other home loans as well, including cash-out refinance options and a streamline interest rate reduction refinance loan (IRRRL). You can also use a VA loan to renovate or repair a home.

Been thinking about adding solar panels to your roof or otherwise greening up your home? The VA gives loans for energy-efficient upgrades as well.

Qualifying veterans who are Native American, or whose spouses are Native American, can use a [VA Native American Direct Loan](#) to buy or build a home on federal trust land.

How does a VA home loan work?

The VA home loan process looks similar to what you'd find with other loans, with a few key differences:

1. Check your entitlement benefit eligibility via a COE (more below)
2. Gather documentation
3. Get pre-approved with a private lender
4. Search for homes, make an offer
5. Get an appraisal and home inspection

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6. Get final loan approval with a private lender
7. Sign final paperwork
8. Get the keys

This is very similar to the typical home buying process. However, there are two items to pay special attention to.

Certificate of Eligibility (COE)

Your private lender will need to verify that you are eligible for a VA loan, whether you're a retired veteran, an active duty servicemember, or an eligible surviving spouse. The certificate of eligibility, referred to as a COE, provides evidence of the available entitlement benefits that may be used toward a VA home loan.

Wondering where to find your COE? You can [request it through the VA benefits website](#). Or, your private lender can look it up, usually within minutes.

The COE tells the private lender whether you have "full entitlement" available, which means you can buy a house with zero down payment required. As of 2020, the VA repealed loan limits¹ for loans where full entitlement benefits are shown as being available on the COE. Technically, a home of any price is fair game, but most lenders impose their own maximum loan limits, and you must qualify for the monthly mortgage payment amount.

However, the COE may show that you only have "partial entitlement" available. One reason might be that you had a VA loan before, but the previously used entitlement benefits haven't been restored. In these situations, you can buy again, as long as your loan amount is more than \$144,000 and you are able to make a down payment if you do not have enough entitlement left to meet the VA's 25% Guaranty requirements. More on this below.

Tougher property standards

The other big difference with a VA loan is that the property must meet all VA minimum property standards.

This could make finding a home a bit tougher.

After you've made an offer on a house, your private lender will schedule an appraisal with a VA-approved appraiser. If the appraiser gives the all-clear by providing an appraisal that shows the property meets VA minimum property standards, then the loan can move forward.

But if the property fails, you'll have to negotiate repairs with the seller.

Some sellers may refuse to make repairs, however, especially if it's a hot market and they have multiple offers. In these cases, unfortunately, you'll need to find another house.

But all this is meant for your benefit. The VA does not want veterans in shoddy homes that will cost them more in the long run.

VA private lenders also won't lend more than a property is worth in value. That's tough in a competitive area where everyone is offering above the asking price.

If you can afford it, you can pay the difference in cash. If not, that's another instance when you'll have to look for a different property.

Who qualifies for a VA loan?

Veterans, active-duty personnel, and surviving spouses must meet certain service criteria to qualify for a VA loan. The COE will show whether or the individual is eligible for a VA loan.

VA loan service requirements:

The amount of [required time served](#) in the military varies depending on when the veteran served and under what circumstances the veteran was discharged from the military.

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- Must have served at least 90 days in wartime or 181 continuous days in peacetime. That is the general rule of eligibility for veterans that served prior to the early 1980s
- A two-year military service minimum is typically required for veterans who served during and after the early 1980s
- All veterans who are separated from service must have an honorable discharge

In January 2021, Congress amended the law to make Army and Air National Guard members eligible for VA home loan benefits, as long as they have performed at least 90 cumulative days of full-time National Guard duty, 30 of which must have been consecutive. Previously, National Guard members were required to serve for at least 6 years before becoming eligible for a VA loan.

If you're a National Guard member and were previously denied for a VA home loan, now may be the right time to apply again.

Veterans who don't meet these requirements may still be eligible if they were discharged due to a service-related injury, had a qualifying medical condition, the government initiated a reduction of force, and some other circumstances.

Surviving spouses

Surviving spouses may qualify for a VA loan if they meet the following criteria:

- They are eligible for and/or currently receive certain types of Dependency Indemnity Compensation (DIC)
- Their spouse died during service or of a service-related cause and the surviving spouse has not remarried
- Their spouse died while on active duty or from service-related causes and the surviving spouse remarried on or after age 57 **and** on or after Dec. 16, 2003
- Their spouse is an active duty servicemember listed as missing in action (MIA) or a prisoner of war (POW) for at least 90 days (eligibility is limited to one-time use in these cases)

Surviving spouses of veterans who died from non-service-related causes may be eligible for a VA loan under certain conditions determined by the VA.

If you're a surviving spouse and want to apply for a VA loan, you'll need to certify your eligibility through the VA and obtain a COE in your own name. You can [find the application forms here](#).

What are the property requirements for a VA loan?

The VA home loan program applies to several property types:

- Single-family homes
- Multifamily properties with up to four units
- Townhouses
- Condominiums (must be a VA-approved condominium project)
- Manufactured homes

You can't use a VA loan to buy an investment property or a seasonal vacation home, which is sometimes referred to as a second home. But with sufficient entitlement, VA borrowers can buy another home that becomes their primary residences and rent out the old one. In fact, there is [no limit to how many times you can use a VA loan to buy a home](#), as long as it meets property and eligibility requirements.

VA borrowers can buy a multifamily home, live in one unit, and rent out the others.

VA minimum property standard requirements (MPRs)

VA loans include strict minimum property standard requirements on a home's livability. Your private lender will schedule a VA property appraisal with a VA-approved appraiser who will focus on two areas: home value and property standard requirement issues.

An appraisal tells lenders whether the home is worth the amount of money the veteran is paying. If not, that's not good for the veteran, lender, or the VA.

The VA appraisal will show whether the collateral for the VA home loan — meaning the property itself — is valued for the amount you want to borrow. If it's not, you can pay the difference in cash to move forward with the

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loan. But if the home appraisal comes in lower than the asking price, and the seller does not want to reduce the price, you may decide to move on and look for another home.

A VA appraisal also verifies that a home is sanitary, safe, sound, and meets all VA home loan [minimum property standards](#). They inspect the property on which the home sits, the home itself, and any additional structures that have been built on the site. All structures, even the ones you won't be living in, must meet all VA requirements, conform to the area in which the property is located, and meet all local zoning requirements.

If a previous owner built a workshop that's in great shape — no water damage, fully functional, maybe it's even wired for electricity — the appraiser may add that to the property value, giving it a boost.

But if there's a dilapidated shed that could collapse as soon as you enter it, the appraiser may decide the structure needs to be removed before the sale can go through.

That's when you go back to the seller to ask if they'll take down the shed (or remedy whatever issue was called out). If not, you won't be able to close on the loan.

Repairs may have to be completed on the house, or the property's additional structures, prior to closing on the property to bring it up to the VA's minimum property requirements.

If you're worried about putting an offer on a house that won't qualify for VA financing, work with a real estate agent who is familiar with VA property requirements. An experienced agent should be able to spot properties with too many red flags for VA borrowers and can show you homes more likely to meet the necessary standards.

Appraisal vs. inspection

Appraisals and inspections can both be part of the homebuying process. But it's important to remember that they're not the same things.

Mortgage lenders require appraisals on all loans — VA and otherwise. First and foremost, the appraiser verifies that the home's value is the same or
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higher than the purchase price. If not, the buyer and the lender could be at risk of overpaying and over-lending.

Secondly, the appraiser looks for major structural issues or hazards and determines the value of the house, and lenders use that information to process (or deny) a loan.

An inspection is solely for the borrower's benefit. Inspections are typically optional, and private lenders do not require them to obtain a mortgage. But you don't want to skip this step.

A home inspection can reveal problems with your plumbing, electrical, and HVAC systems, according to the [American Society of Home Inspectors](#). An inspector will also examine your windows, doors, basement, and attic for potential issues.

VA will require a termite inspection for all properties in areas where the risk of termite infestation is "moderate to heavy" or "very heavy." If you're worried about termites and mice or chemicals such as radon, you can schedule specialty inspections to check for those.

Are there loan limits for a VA mortgage?

There are currently no loan limits for qualified veterans. The VA lifted the loan limits in 2020 and will issue a loan guaranty regardless of the loan amount when the veteran has full entitlement benefits available. Veterans with full entitlement do not have to make a down payment.

Your COE may show that you have full entitlement benefits if:

- You meet all military service requirements and were not dishonorably discharged
- You've never used your home loan entitlement benefit
- Your entitlement was restored after paying off a previous VA home loan
- You sold the previous home and paid off the VA home loan

But just because you don't have a loan limit doesn't mean you'll be approved for any loan amount. Lenders must determine how much you can borrow based on your income, credit score, and debt-to-income ratio (DTI).

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VA guidelines give lenders flexibility in their loan decisions, so you may qualify even if your credit score is on the low end.

But generally speaking, the higher your credit score and income, and the lower your debts, the more you'll be able to borrow.

What if I don't have full entitlement?

If you have some remaining entitlement, but not the full benefit, you can still get a VA mortgage. However, you may need to make a down payment if you borrow more than \$144,000. You'll also be subject to loan limits, which vary based on where you're buying.

VA income requirements

VA loans exist to help veterans become homeowners. But they're still subject to standard underwriting criteria, including income, credit, and debt guidelines.

Income

As with any loan, VA mortgages have income eligibility requirements. Lenders must ensure that you can make your monthly mortgage payments *and* have enough money left over for daily needs and other expenses.

That non-mortgage category is known as "residual income." The amount of residual income needed depends on how much you borrow, where you live, and how many people are in your household.

Credit score

Technically, there is no minimum credit score requirement because the VA doesn't set one. But lenders can, and usually do, add their requirements on top of government guidelines — these are known as overlays.

Most lenders require a 580-620 credit score for a VA loan, though some will be more flexible on those numbers than others.

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If you're concerned about your credit score, an experienced, VA-approved lender can help. They can walk you through their credit requirements and may refer you to a counselor who can create a game plan for getting your credit where it needs to be.

Debt-to-income ratio (DTI)

Your debt-to-income ratio (DTI) refers to how much of your gross monthly income goes toward debt payments.

Debts lenders look at:

- Mortgage payment
- Credit card bills
- Car payments
- Student loan debt
- Medical bills
- Back taxes
- Personal loans

They also look at other financial obligations, such as child support or alimony payments.

The VA's guidelines recommend a DTI of 41% or less for VA loans. But this isn't a hard and fast rule. Just like with credit score requirements, lenders can set their own DTI limits.

A lender may qualify a borrower with high DTI if he has high residual income or compensating factors such as savings or other assets.

VA loan closing costs and fees

Although you can get a VA loan without a down payment, you'll likely have to pay some closing costs. The good news is, the seller can pay up to 4% of your closing expenses. And you can roll some closing costs, including the VA funding fee, into the loan rather than paying it upfront.

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VA loan closing costs you may be responsible for:

- Loan origination fee
- Appraisal fee
- Title insurance
- Loan discount points (to reduce your interest rate)
- State and local taxes

The total [list of closing costs](#) will depend on your lender and the terms you negotiate with the seller. For instance, it's typical for a seller to pay for a termite inspection and broker fees on VA loans. You can also negotiate some fees with your lender.

If you can't afford your upfront closing fees, you may be eligible for closing cost assistance, according to the [VA](#). Your lender or real estate agent should be able to refer you to any state and local assistance programs for which you might be eligible.

VA funding fee vs. private mortgage insurance (PMI)

One upside of VA loans over conventional mortgages or other government home loans is that you don't pay private mortgage insurance, even with no money down. Instead, you pay a VA funding fee.

You can pay the funding fee upfront or include it in your loan. The seller can also cover the funding fee.

The funding fee is calculated as a percentage of your loan and is based on your down payment and whether you've used a VA loan in the past.

VA funding fees for first-time borrowers

Example 1

- Down payment: 0%

- Funding fee: 2.15%

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Example 2

- Down payment: 5-9%
- Funding fee: 1.5%

Example 3

- Down payment: 10% or more
- Funding fee: 1.25%

VA funding fees for subsequent home loans

Example 1

- Down payment: 0%
- Funding fee: 3.30%

Example 2

- Down payment: 5-9%
- Funding fee: 1.50%

Example 3

- Down payment: 10% or more
- Funding fee: 1.25%

So, as you'll find with any mortgage, your down payment affects your overall costs.

Making even a 5% down payment can pay off, especially if you've used a VA loan before. But if you don't have the funds for a down payment, a VA loan is still a great option. Talk with your lender and real estate agent about folding your funding fee into the loan or finding other funding sources.

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Keep in mind, though, that rolling the funding fee into the loan could mean that you'll owe more than the house is worth. That can create problems down the road if you need to sell the home.

For that reason, veterans should plan to keep the property for at least 3-5 years, either by living in it or renting it out if they have to move.

VA loan interest rates in 2023

Generally speaking, VA home loan interest rates tend to be lower than you'll find with some other programs. According to [Ice Mortgage Technology](#), VA rates have averaged more than 0.25% lower than conventional loans.

The current VA home loan rates you see advertised or in the news don't represent what you'll pay, however.

Lenders set interest rates based on your credit score and other factors unique to your finances. If you're wondering what rate you might qualify for, you can request quotes on VA home loan rates from several VA-approved companies.

Remember that rate isn't everything. When you request a quote, lenders will send you a loan estimate breaking down all the costs associated with borrowing from them.

Look not just at the interest rate but at the other fees they'll charge so you can choose the loan with the best overall value.

Pros and cons of a VA loan

There are a lot of VA benefits that make these mortgages the right choice for veterans. But no loan program is perfect, and even VA loans have their downsides.

Pros

- 0% down payment
- No loan limits with full entitlement

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- Low interest rates
- No mortgage insurance
- Several property types are eligible

Cons

- Strict property requirements
- Cannot borrow more than the appraised value
- Loan limits apply for partial and no entitlement
- Funding fee adds to overall loan cost
- Cannot be used for investment properties

If you have good credit and plenty of savings, you might choose a conventional mortgage over a VA loan. Putting down 20% on a conventional mortgage means you skip private mortgage insurance (PMI) and the VA funding fee, so you'll save money all-around.

And if you have excellent credit, you may score a low interest rate on the conventional loan as well.

How to get a VA home loan: the process

The VA loan process is similar to what you'd find with other loans, with a couple of unique steps.

1. **Determine your VA loan eligibility.** You can request your certificate of eligibility (COE) from the VA, or your lender can look it up when you're ready to apply.
2. **Get pre-approved.** VA loan preapproval tells you your price range plus reassures real estate agents and sellers that you're a serious homebuyer. Make sure the lender is licensed and experienced in VA loans.
3. **Look for houses.** Let your real estate agent know you're thinking about using a VA loan so they show you properties that will likely pass the VA appraisal.
4. **Submit an offer.** Once you find the right home, work with your real estate agent to submit an offer. If you're in a competitive market, they may advise you to write a personal letter to distinguish your offer from the rest.

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5. **Schedule an appraisal and inspection.** After the seller accepts your offer, the lender will schedule the appraisal. This is where you'll want to schedule any inspections as well.
6. **Provide additional documentation to underwriting.** If your lender asks for more documentation to support your application, give it to them as quickly as possible. The clock toward closing starts running once your offer is accepted, so responding to your lender's questions right away helps everyone keep to the timeline.
7. **Book your final walkthrough.** The walkthrough is your chance to see the home one more time before it's officially yours. It's a good time to make sure any requested repairs have been made and look for any last-minute red flags. If everything looks good and you're still all-in on the home, you can move onto the final step.
8. **Close on the home.** Closing is when you'll sign your loan documents. The lender will then review the documents, and they typically fund the loan within two days. Once the loan is funded, you are officially the homeowner!

There are many smaller steps throughout the VA loan process, so always ask questions if you're not sure what the lender needs or what comes next.

Buying a home is a big step, whether it's your first-time buying a home with a VA loan or you've used your VA benefits in the past. Request clarification whenever you need it so you're 100% clear on the terms of the loan and your financial commitment.

Added documentation needed for VA loans

The biggest difference between the application for a VA mortgage and other home purchase loans is the documentation you'll need to provide.

Use this checklist to get your paperwork in order before you apply — it'll save you *a lot* of time and back-and-forth with your lender.

- ✓ Certificate of Eligibility (COE): Indicates your benefit eligibility and entitlement level
- ✓ Form 26-1880: Request for COE document

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- ✓ DD-214: Discharge and Record of Separation document if you're retired
- ✓ Commanding Officer Statement of Service: Confirms your service and expected length of service if you're on active duty
- ✓ Verification of childcare expenses: If you have dependent children, lenders require proof of childcare costs. If you or your spouse are stay-at-home parents, or another relative takes care of the children, you'll submit a statement verifying that you have no monthly childcare expenses

A note on finding VA lenders and real estate agents

Lots of lenders offer VA loans. But they don't all have the same level of experience with them.

And with something as important as buying a home, you want a lender that knows these loans inside and out and understands veterans' unique borrowing needs.

For that matter, you want a real estate agent who works often with veterans, too.

Sellers are sometimes wary of VA offers. Sometimes, VA's minimum property requirements and appraised values add roadblocks. A seasoned agent who's done many VA offers will know what it takes to get yours accepted and can give you a realistic path for finding a home.

Before choosing a lender or agent, vet their VA experience (no pun intended). Find out how often they work with veterans and what their records are with getting VA offers accepted and VA loans closed.

You might also ask whether they offer any other types of assistance or support to the veteran community. A company that works closely with veterans and their families, in lending and community service initiatives, is more likely to deliver the experience you need than one that only occasionally closes VA loans.

Before you choose a lender or real estate agent, ask them a few key questions:

1. *How often do you work with veterans?*

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2. *Have you completed any special training in working with veterans and military families?*
3. *How many offers do you submit with VA loans?*
4. *How many of your clients' VA offers get accepted?*
5. *How many VA loans do you close each year?*
6. *How long does it take to close a VA loan?*

VA loan FAQs

I used a VA loan to buy my first home. Can I use a VA mortgage again? Yes, you can take out a VA mortgage even if you've used one before. However, if you haven't paid off your last VA loan, you may only have partial entitlement or no entitlement available.

You'd need to pay off the current loan to restore your full entitlement and avoid loan limits on your new home.

Is a VA loan worth it? A VA loan is a solid choice for qualifying veterans to buy a home. With a 0% down payment option, low interest rates, and no mortgage insurance, VA mortgages may be the most affordable loan for some veterans.

What is the minimum credit score for a VA loan? The VA itself does not set a minimum but most lenders require a credit score of 580-620.

What is a Form DD-214? Form DD-214 documents your military discharge and Report of Separation. It may be used to verify your eligibility for VA home loan benefits.

Do you need a down payment for a VA loan? You do not need a down payment for a VA loan if you have your full entitlement. If you have a partial entitlement, or you previously used your full entitlement and it hasn't yet been restored, you may need a down payment.

What kind of homes can you buy with a VA loan? You can use a VA loan to buy a single-family home, a multifamily property with up to four units, a condo, or manufactured home.

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Can I buy land with a VA loan? You can use a VA loan to buy land as long as there is a home on the property. The VA does not limit the number of acres you can buy — but there's a catch. Similar properties in the area must be used for residential purposes only.³

So, if you're thinking about buying a 10-acre plot with a house on it, but all the other 10-acre properties near you are income-producing farms, you may not be able to use a VA loan. But if you live in a rural area with lots of 10-acre hobby farms, you might be in the clear.

A good rule of thumb is to ask yourself whether the property could be seen as income-producing. If so, it probably won't pass VA guidelines since investment purchases are not allowed.

Can I use a VA loan to build a house? It's possible to use a VA loan to build a house, but few lenders offer this option. VA construction loans require you to jump through a lot more hoops to qualify, including finding an approved builder and making sure the building plans qualify for VA financing.

How do VA home loans work? The VA home loan process isn't much different from other mortgages. The major differences are in the document and property requirements. Your lender will need your certificate of eligibility, as well as your discharge documents if you're retired and a commanding officer statement of service if you're on active duty.

An appraiser will also survey the property to ensure that it meets the VA's minimum property requirements and to determine the value of the home. The lender uses the appraisal to verify that the home is not worth less than the loan amount.

Will sellers accept an offer with a VA home loan? You can get an offer accepted with a VA loan. But some sellers are hesitant to accept VA offers because of the property requirements. Working with a real estate agent who knows how to get a VA offer accepted is a good idea. They can guide you through the process and boost your chances of landing the home you want.

Getting pre-approved¹ with a lender that often does VA loans is another smart move. A preapproval letter reassures sellers that you're able to buy the home, and an experienced VA lender may be able to strengthen your offer and give the seller confidence that the loan will likely go through.

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What inspections are required for a VA home loan? VA lenders do not require home inspections. But they do require an appraisal, and they will schedule that after a seller accepts your offer. The appraiser assesses the value of the home and whether it meets the VA's minimum property requirements.

But you can, and should, schedule a home inspection. An inspector looks for problems with your HVAC, electricity, and plumbing, along with other potential issues. These are things you want to know before you take over ownership of a house.

Why would a VA loan be denied? A lender might deny a VA loan if your credit score is too low, or your debt-to-income ratio (DTI) is too high. They can also deny the loan if you don't have enough income to cover your monthly mortgage payments and the VA's residual income requirements (money left over for utilities and non-housing living expenses).

Lenders also turn down VA loans when a house doesn't meet the VA's minimum property requirements.

I'm ready to apply

A VA home loan can be a game-changer for veterans who can afford a monthly mortgage payment but have average-to-lower credit or can't save up a large down payment.

This powerful program can get you into a home much sooner than you probably thought possible.

¹ A down payment is required if the borrower does not have full VA entitlement or when the loan amount exceeds the VA county limits. VA loans subject to individual VA Entitlement amounts and eligibility, qualifying factors such as income and credit guidelines, and property limits. Fairway is not affiliated with any government agencies. These materials are not from VA, HUD or FHA, and were not approved by VA, HUD or FHA, or any other government agency.

VA Jumbo loans: VA loans must conform to secondary market requirements, which include the minimum 25% coverage requirement. Coverage is a combination of VA provided entitlement plus cash down payment or equity.

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² [Annual Benefits Report FY 2019, pg. 2](#)

³ [VA Loans and Farm Land](#)



Morris, C. (2022, May 23). VA Home Loans: Everything You Need to Know in 2023. Fairway Independent Mortgage Corporation. <https://www.fairwayindependentmc.com/articles/va-home-loan-everything-you-need-to-know>.