Indiana Real Estate Brokers

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Housing for Military and Veterans

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Housing for Military and Veterans - Final Exam

1. **The VA Mortgage Loan is administered by**
   a. The Department of Defense
   b. The Department of Veterans Affairs
   c. The lender
   d. Every mortgage lender

2. **Could a veteran buyer appeal to the Department of Veterans Affairs a lender's decision on a VA loan based on credit score?**
   a. No. The veteran buyer would need to appeal to the Housing and Urban Development.
   b. Yes. The purpose of the VA is to protect veterans and ensure veterans are able to purchase homes despite the credit report.
   c. Yes. The VA will contact the lender to ascertain why the veteran buyer's loan application was turned down.
   d. No. The VA does not have a say on credit approval.

3. **Benefits to a veteran borrower who qualifies for a VA loan are**
   a. Minimum down payment of 3.5%, no private mortgage insurance, VA mortgage insurance (VMI) is based on the LTV.
   b. No required down payment, no private mortgage insurance, lower required credit score versus conventional loans.
   c. No required down payment, minimum credit score of 600, no private mortgage insurance.
   d. Lower interest rates than conventional loans, any veteran qualifies, no required down payment.

4. **What is typically the minimum required term of service for VA loan qualification for a veteran serving in peacetime?**
   a. 91 continuous days
   b. 365 continuous days
   c. 181 continuous days
   d. 180 continuous days

5. **Is a veteran borrower required to produce a certificate of eligibility (COE) to the lender prior to applying for a VA loan?**
   a. No. The veteran borrower could apply for the loan prior to applying for a COE.
   b. No. The lender is required to apply for the COE prior to accepting a loan application from the borrower.
   c. Yes. The veteran borrower must produce the COE prior to loan application.
   d. Yes. The VA lender is forbidden from taking any loan application prior to receiving the COE from the veteran borrower.

6. **The certificate of eligibility indicates the amount of loan the veteran borrower is entitled to. True or False?**
   a. False. The certificate of eligibility indicates the amount of down payment the VA will pay the lender on the loan.
   b. False. The certificate of eligibility indicates the amount the VA guarantees the lender should the borrower default.
   c. True. The certificate of eligibility indicates the loan amount the veteran buyer can borrow.
   d. False. The certificate of eligibility indicates the amount of mortgage insurance the VA will pay the lender until the LTV is 20%.

7. **Could a surviving spouse of a veteran possibly qualify for a certificate of eligibility for VA loan benefits?**
   a. Yes, any surviving spouse of a veteran could receive a certificate of eligibility if the veteran served during wartime.
   b. No, a surviving spouse can never receive any VA benefits.
   c. No, unless the surviving spouse is also a veteran
   d. Yes, possibly, if the veteran's death was related to a service-related injury.

8. **What is the purpose of the VA loan funding fee?**
   a. The funding fee helps the lender process the loan.
   b. The funding fee helps lower the cost of the loan for taxpayers.
   c. The funding fee removes the need for discount points.
   d. Fifty percent of the funding fee is retained by the lender for costs to process the loan.

9. **How is the VA funding fee charged to veteran borrowers?**
   a. The funding fee is a flat fee.
   b. The funding fee is a credit to the seller at closing.
   c. The funding fee is always financed into the loan.
   d. The funding fee is a percentage of the loan amount

10. **Who pays the funding fee for a VA loan?**
    a. The borrower
    b. The seller
    c. The lender
    d. The broker

11. **What is the charge for a VA loan appraisal on a single-family home in the state of Indiana?**
    a. The market rate for appraisals
    b. No more than $525
    c. A minimum of $400
    d. It depends on the size and location of the property

12. **Is the charge for a loan appraisal the same price across the country?**
    a. There is no limit on what an appraiser charges for a VA home loan appraisal anywhere.
    b. Yes. The charge for appraisals for VA home loans is the same amount in every state except for Alaska and Hawaii, which can be higher.
    c. No. Appraisers charge by regions determined by the Department of Housing and Urban Development (HUD).
    d. No. This amount varies by state.

13. **True or false? An appraiser can charge any amount that is the going rate for an appraisal for a VA loan.**
    a. False. An appraiser can charge no more than the amount stated on the Department of Veterans Affairs website unless that amount is more than the market rate for appraisals. In that case, the appraiser can only charge the market rate.
    b. True. An appraiser may charge the going rate, even it is more than the amount stated on the Department of Veterans Affairs website.
    c. The answer is false; however, the appraiser can appeal the fee charged to the Department of Veterans Affairs.
    d. False. The appraiser can only charge 1% of the entitlement shown on the veteran's certificate of eligibility.

14. **Does an appraisal take the place of the home inspection?**
    a. No, but the appraiser will look for all items that appear faulty in the property.
    b. No. A buyer should always be advised to hire a home inspector.
    c. Yes. The purpose of the appraisal on a property purchased with a VA loan is to keep the veteran's costs down, so the appraiser acts as a home inspector.
    d. Yes, but the buyer is required to have a separate termite inspection.

15. **What does the appraiser look for when valuing property purchased with a VA home loan?**
    a. The appraiser looks for comparable value, safety issues, proper heating and air systems, functionality of the roof, including future life of these items.
    b. The appraiser assesses the value of the property by looking at comparable properties purchased with a VA loan.
    c. The appraiser is only required to provide a valuation of the property based on recent comparable sales.
    d. The appraiser is required to assess the value of the property and provide the VA a list of properties currently listed for sale.

16. **Prior to ordering an appraisal what document should the VA lender have in hand?**
    a. The borrowers down payment.
    b. The lender should ensure earnest money has been paid to the title company.
    c. The certificate of eligibility for the veteran borrower.
    d. Loan approval from the underwriter.

17. **Is it possible to receive a VA loan if one is not a member of the military?**
    a. A civilian can never qualify for a VA loan.
    b. Employees at military bases always qualify for VA loans.
    c. Certain situations allow for a non-military person to qualify for a VA loan.
    d. Public health workers always qualify for a VA loan.

18. **What form is required from a veteran needing a certificate of eligibility?**
    a. The veteran must produce a military passport and a credit report.
    b. Two forms of identification.
    c. A letter of qualification from the Department of Veterans Affairs.
    d. The veteran must produce a DD214 or Statement of Service, each showing length and type of service.

19. **What is the basic entitlement amount for a VA loan?**
    a. $36,000 for loans up to $144,000 or 25% of the sales price, up to $510,400.
    b. Entitlement varies by state. The amount can be found on the Department of Veterans Affairs website.
    c. $36,000 up to $510,400 and then the entitlement is case-by-case.
    d. $12,000 plus 10% of the purchase price.

20. **When a veteran has questions about repaying his or her VA loan, and the lender is not able to answer the questions who should the veteran contact?**
    a. The veteran borrower should contact another mortgage lending company.
    b. The veteran borrower should contact the real estate agent who sold the property.
    c. The veteran borrower should contact a loan counselor at the Department of Veterans Affairs.
    d. The veteran borrower should consult an attorney.

21. **A brokerage charges all buyers a brokerage transaction fee at closing. What is the situation when a broker has a veteran buyer who is purchasing a home through a VA home loan?**
    a. A brokerage is not permitted to charge brokerage fees to veteran VA loan borrowers.
    b. The agent should include the brokerage fee in the seller concessions.
    c. A brokerage can only charge a minimum brokerage fee of .02% of the sale price.
    d. If the brokerage charges all buyers a fee, the brokerage is permitted to charge veteran VA loan borrowers, as well.

22. Which of the following items could be included in the 4% seller concessions limit on a VA loan?
  a. Prepaid interest, prepayment of property taxes, buyer's credit report.
  b. Prepayment of property taxes, paying off the buyer's debts, the VA funding fee.
  c. Prepayment of property taxes, property survey, termite inspection fee.
  d. Home inspection, appliances, buyer's debts.

23. What is the maximum amount or limit that a borrower can ask a seller in concessions?
  a. $4,000
  b. 3% of the sales price.
  c. 4% of the sales price.
  d. $7,000

24. Which of the following are fees or charges a lender cannot charge a borrower obtaining a VA loan?
  a. Prepayment penalties, lender attorney fees, charges to discharge existing loans
  b. One percent flat fee, prepayment penalties, prepaid items
  c. Credit report, attorney fees, prepayment penalty
  d. Appraisal, prepayment penalty, discount points

25. If a buyer presents an offer to a seller and the buyer is asking for 6% of the sale price in seller concessions what is most likely happening?
  a. The seller cannot pay more than 4% of the sale price.
  b. The buyer's agent has made an error.
  c. The seller is paying an additional fee for the buyer that is not included in the four percent seller concession limit.
  d. The buyer is paying a down payment and therefor the seller can pay more in concessions.

26. What is the turnaround time for appraisals in the state of Indiana?
  a. 5 days
  b. 10 days
  c. A reasonable amount of time
  d. 30 days

27. What fee could be included in any VA loan?
  a. The VA funding fee
  b. The appraisal fee
  c. Prepaid property taxes
  d. A second appraisal fee

28. Could a veteran apply for a loan on an investment property using a VA loan?
  a. Yes, if the veteran borrower lives in the property for two years consecutively.
  b. Yes, if the veteran borrower personally lives in the property for three of the past five years.
  c. Yes, if the property is a 4-plex or less.
  d. No, VA loans are for owner-occupied properties only.

29. When working with the seller prior to listing a property what would a seller's agent describe as a good reason to accept an offer with VA financing?
  a. Easy appraisal process.
  b. Low or no down payment and lower credit score requirement could put the buyer in a good position for loan approval and closing.
  c. No inspections are required.
  d. The appraiser works on the side of the veteran, so there is room for minor value adjustments.

30. How should a listing agent advise a seller regarding home preparation when considering acceptance of an offer from a buyer with VA loan financing?
  a. The seller should hire an inspector prior to listing to ensure the home is in good repair.
  b. The seller should replace all plumbing and electrical fixtures and upgrade all electrical circuit panels.
  c. The seller should replace the roof if it is older than ten years.
  d. The seller should ensure all mechanicals operate safely and have adequate future life, the property has no hazard issues, and the roof is in good repair with adequate future life.

31. At a listing appointment, a seller asks the agent about accepting offers from buyers with VA loan financing. What should the agent advise the seller?
  a. The agent should inform the seller about seller concessions, the appraisal process and possibilities of repairs needed as noted by the appraiser.
  b. The agent should recommend that no seller should accept an offer with a VA loan.
  c. The agent should recommend that the seller purchases a fee appraisal prior to listing the property.
  d. The agent should recommend that the seller list the home for more than comparable homes have sold in case the buyer asks for seller concessions.

32. What type of inspections are required for VA loan purchases?
  a. Both home and termite inspections by qualified inspectors are required for VA loan purchase.
  b. Only a home inspection by a qualified inspector is required for VA loan purchase.
  c. A termite inspection by a qualified inspector is required for VA loan purchase.
  d. A termite inspection performed by the appraisal panel appraisal is sufficient for a VA loan purchase.

33. **What occurs when the VA appraiser discovers defects in a property that will be secured by VA loan financing?**
    a. The defects must be corrected, and the appraiser will reinspect to ensure the repairs have been made to VA standards.
    b. The seller could lower the price of the home to accommodate the buyer and the VA lender.
    c. The buyer could put one-half the repair cost into escrow and pay for repairs after closing.
    d. The value of the repairs is removed from the value of the property.

34. **In the case of a relocation, what are some items that a buyer's agent may need to take care of to assist the buyer who cannot view properties?**
    a. Get an agent copy of the MLS listing document to the buyer to see all the pictures from the listing.
    b. Make arrangements for a professional photographer to take photos of the property for the buyer.
    c. Thoroughly video the property noting any possible issues, arrange for inspectors, keep communication open between agent and buyer should there be any issues, follow-up with lender and title company.
    d. Inform the buyer of the better areas of the town where the buyer should think about purchasing, like lower crime, no sex-offenders, best schools.

35. **A veteran buyer phones a buyer's agent in a city where the veteran is being relocated. How should the agent approach the subject of number of children in the household?**
    a. It is a fair housing violation for the agent to ask how many children the buyer has in the household. The agent could ask how many persons will occupy the household.
    b. To find the best property for the buyer, it is the agent's fiduciary duty to ask the buyer how many children are in the household.
    c. The agent could ask if the buyer needs to be close to a school bus route, which would tell the agent there are children.
    d. The agent should ask how many adults and how many under the age of 18 will occupy the property. This is a typical question in an interview with a buyer, especially if the property will be purchased sight-unseen.

36. **What type of grant might a veteran with a service-related disability apply for to construct a specially adapted home on land to be acquired?**
    a. The Special Housing Adaptation Grant
    b. The Specially Adapted Housing Grant
    c. A Temporary Residence Adaptation Grant
    d. The VA Special Service Disability Housing Grant

37. **What is a reason a lender should check on an exclusion of a program participant?**
    a. The lender will not get funding if the applicant defaults on the loan.
    b. The program participant may charge higher or lower fees than other participants.
    c. The VA would give a better rate to the veteran applicant.
    d. The VA could impose sanctions on the lender if the lender is involved in a transaction with an excluded program participant.

38. **What is LAPP?**
    a. Loan and Appraisal Prequalification Program
    b. Lender Appraisal Processing Program
    c. Lender Appraisal Program Partnership
    d. Loan Appraisal Principal Partnership

39. **Once LAPP authority is withdrawn for longer than 90 days, what is the lender process to resume participation?**
    a. The lender may resume business as usual after the withdrawal period is complete.
    b. The lender cannot participate in LAPP in the future.
    c. The lender can resume business, but on a probationary status.
    d. The lender must reapply to the VA to participate in LAPP.

40. **What are the warranty requirements for new construction?**
    a. A 1-year Warranty of Completion of Construction or a 10-year insurance backed warranty.
    b. A 5-year Warranty of Completion of Construction and a 10-year insurance backed warranty.
    c. A 10-year Warranty of Completion of Construction and a 1-year insurance backed warranty.
    d. A 1-year insurance backed warranty.

INTRODUCTION

Working with military buyers can be a rewarding experience for a real estate professional. There is a specialized market available in every state for a licensee that understands the United States military's housing needs and culture, whether active, reserve, retired, or veteran. Well-educated real estate professionals will be ready to help with all aspects of the transaction from pre-approval to close.

According to the United States Department of Defense, there are currently approximately 2 million active and reserve military, over 1.5 million retirees, and 19.5 million veterans. While not all veterans may be eligible for or even desire military or veteran housing benefits, many are. Some may not be aware of the housing benefits through the Department of Veterans Affairs (VA).

As real estate agents become more knowledgeable about veteran and military housing opportunities, they can help these buyers. Having informational background on VA loan benefits, basic needs of active military buyers, time frames for purchase, the lending and appraisal process, and referral availability will enhance the real estate professional's career position and give clients the opportunity to experience a seamless transaction.

United States veterans and military have different backgrounds that may determine the specific type of housing required. Some are single, married, divorced, and many have children, so it is essential to know what the needs and wants are when purchasing a home.

While the preference of the VA is to place enlisted spouses together when transferring, sometimes that cannot happen, and the spouses must live in different areas of the country or even the world. That can produce a difficult situation when trying to help a veteran purchase a home. There may be children that share parents. Housing must accommodate these conditions.

Enlisted personnel may have only a limited amount of time to sell an existing home and purchase a new home in another area of the country, or even world. An exceptional real estate professional is required in this instance. Once who is excellent at marketing for sellers, and who may need to make decisions on behalf of the client that cannot be in communication throughout the transaction is crucial.

With benefits available through the VA, enlisted personnel and veterans have certain homebuying advantages over the non-military.

The Active Military Buyer

It is common knowledge that real estate agents produce best when they understand their client's needs, wants, and wishes. Many buyer transactions contain the same questions: What is your timeframe for moving? Are you pre-approved for a loan? Do you have a property to sell? What is your price range?

While working with enlisted personnel transferring, many more critical questions should be addressed. Questions like "what is your timeframe" may receive the response, "a few days." This does not give the buyer's agent, or the client much time at all to look at homes prior to moving. There are times when the agent will have to rely on viewing a home personally, video recording the features and reporting back to the client. Therefore, the level of trust established between the client and licensee must be high to ensure a smooth closing.

Buyers agents need to know school districts, proximity to the base, homeowner association rules and regulations, covenants and restrictions, and other amenities that buyers might need or want for their family.

The VA Loan – What the Buyer's Agent Needs to Know

A buyer representative assisting an enlisted person, or a veteran should know the financial tools available to his or her client buyer. The U.S. Department Veterans Affairs (VA) (www.va.gov) has a wealth of information about the VA Loan for military-related buyers. This website is accessible to the civilian public, as well. Buyers agents working with active, reserve, retired and veteran military should understand the great benefits available for buyers through loans guaranteed by the Department of Veterans Affairs.

The VA does not administer the VA Mortgage Loan, but rather it is guaranteed by them. The VA sets the requirements for obtaining the loan; however, lenders that participate in providing VA Loans set their requirements for qualification, such as credit score, debt-to-income ratio, etc.

Buyers agents should take time to familiarize themselves with lenders within their geographical proximity and establish relationships with those that administer the VA loan. Real estate professionals should have an idea of loan fees, timelines for processing loans, credit score minimums, and sellers' concessions requirements.

Benefits of the VA Loan to Veterans and Military Buyers

After the housing crisis of 2008, steps were taken to protect the public from taking on debt for homes they could not afford. Restrictions on lenders have resulted in full disclosure of loan costs, closing costs, and the assurance that a buyer cannot receive a home loan if the buyer cannot qualify based on a down payment, credit score, employment, and assets. On many conventional loans, a down payment of a minimum of 5% provides the borrower the best interest rate. However, the lender still requires private mortgage insurance (PMI) up to 20% of value to guarantee the loan if the borrower defaults, resulting in foreclosure.

There are many advantages that come with the VA Loan. It is very protective of the borrower because it is guaranteed by the VA. Additional advantages include a lower credit score requirement than conventional loans, no down payment requirement, and generous seller concessions are allowed. Specific penalties allowed in conventional loans are not allowed in VA Loans, such as prepayment penalties and alienation clauses (VA Loans are assumed by anyone who qualifies, not just for veterans or military). Active military can use their Basic Housing Allowance (BAH) to pay their mortgage payments.

Given that the active military typically moves more often than the general public, the VA Loan advantages could outweigh conventional loan features. The absence of PMI could save the veteran borrower thousands of dollars over the life of the loan.

QUALIFYING FOR A VA LOAN

What the Buyer's Agent Needs to Know

Not every veteran qualifies for a VA Loan. Qualification depends on service type- active duty, post-war, reserves, etc. veterans and the public can find qualifying factors at ww.va.gov. Typically, serving in active duty during wartime, a veteran must serve 90 total days for qualification. Post-war or peacetime qualification requires 181 continuous days in service. These numbers vary based on the timeframe for service, i.e., Vietnam Veterans qualification is different than Gulf War Veterans. The time requirements change for veterans with service-related disabilities, as well. It is best to check the Veterans Affairs website to determine individual eligibility.

A surviving spouse of a veteran or the spouse of a veteran who is missing in action or being held as a prisoner of war may also qualify for the VA Loan. Restrictions are that the deceased veteran's death must have been related to the service (killed in action, service-related disability, etc). As a note, this does not include children of veterans.

A Certificate of Eligibility (COE) is required for VA Loan qualification. The COE lists the rights the applicant has pertaining to his or her VA Benefits. If a veteran was honorably discharged and meets the qualification requirements listed, the veteran may apply for the COE to see if he or she qualifies. A lender specializing in VA Loans can provide information about obtaining the borrower's COE. More information including the application for veterans is available at the Veterans Affairs website.

VA Loans may require a funding fee. This is a one-time payment required by the borrower. Remember the VA Loan is guaranteed by the Veterans Affairs (through U.S. taxpayers) should the borrower default on the loan. The funding fee helps lower the cost of the loan for taxpayers. The funding fee can be paid up front at closing or financed into the loan.

The VA funding fee is a percentage of the loan amount (like discount points) and varies depending on certain factors of the loan. For first-time VA Loan borrowers with less than 5% down payment, the funding fee is 2.3% of the loan amount; with a down payment of 5%-10%, the fee is 1.65%; a down payment of 10% or more requires a funding fee of 1.4% (these rates are effective January 1, 2020). Funding fees for VA refinancing loans range from 2.3% to 3.6%.

Types of VA Home Loans

VA Loans are not just for purchasing a home. There are loans available for home purchase, building, improving, or refinancing, but are for owner-occupied properties only, meaning the loan cannot be used to finance an investment property.

The VA Loan and the Lender Role

The Department of Veterans Affairs does not make a determination on qualifying borrowers for the VA Loan, however they require that VA Loan borrowers have enough income to cover all expenses, not just the mortgage loan payment. To avoid the possibility of foreclosure, and the reason the VA Loan has a low-foreclosure rate, household, and travel expenses, etc. are accounted for in the qualifying process. There are no set income minimums for qualifying for the VA Loan, however, the lender and underwriter make the final decision on loan qualification.

While VA Loan borrowers have the advantage of competitive interest rates, no required down payment, and borrower support through the Department of Veterans Affairs, they still must qualify for their home loan just as any other consumer must qualify. Keep in mind that the VA lender approves and funds the loan, and it is ultimately the decision of the lender and underwriter for loan approval. Individual lenders set their own guidelines for loan approval, interest rates, points, and other loan costs, so borrowers should shop around to obtain the best rates. Different lenders may charge different closing fees, so a buyer should be advised to do the research to determine the best option.

The borrower should plan for closing costs. Most of the closing costs passed on to a buyer are typical of any home loan. These include the loan origination fee, discount points, credit report, appraisal, title insurance and recording fees. Borrowers of the VA Loan should expect to pay the VA funding fee.

The appraisal process for the VA Loan is slightly different than that of a conventional loan. Appraisers approved by Veterans Affairs are required to perform the appraisal. Effective April 1, 2019 the most that can be charged for a VA Appraisal in the state of Indiana is $525 for a single-family home, condominium, or manufactured home and $675 for a 2-4-unit multi-family home (must be owner-occupied). The turnaround time for the appraisal is 5 business days.

Appraisers will look for safety issues in addition to valuing the property. The mechanical systems must be operating safely, have reasonable future utility and be of adequate capacity and quality for the property. There are requirements for heating. For instance, if a home has a wood burning stove as a primary source of heat, there must be a conventional heating system as well. The same applies for solar energy heating systems; there must be a back-up that is equivalent to a conventional heating system.

The roof must be satisfactory and not leaking; it must have reasonable future life, cannot contain more than three layers of shingles, so a defective roof in this case will need to have a complete tear-off prior to installing new shingles. Crawl spaces must be properly vented and be cleared of all debris. Floor joists must be as high off the ground as possible to allow access for maintenance and repair of mechanicals, plumbing, etc. Any dampness or water pooling must be corrected. VA Appraisers will look for a hazard-free property. Anything that adversely affects the health and safety of the buyer must be corrected. Defective conditions must be corrected. This includes leaks, decay, and poor workmanship. Appraisers must look for evidence of wood destroying insects, fungus, and dry rot. This is in addition to the required termite inspection by a qualified inspector. If an appraiser sees evidence of the possibility of lead-based paint (cracking, peeling, or chipping paint) the surface will require treatment. More in-depth appraisal requirements can be found at the Veterans Affairs website.

Obtaining a VA Loan and the Certificate of Eligibility

Before a lender approves a VA Loan or even orders an appraisal, the lender must obtain a Certificate of Eligibility (COE) for the veteran borrower. The COE is proof that the veteran has met the minimum criteria of length of service and character of service for the home loan benefit. The borrower must still meet credit and income standards set by the lender for loan approval.

Generally, a veteran is eligible for VA home loan benefits if the veteran served a minimum of 90 days during any time of wartime, or a minimum of 181 continuous days during peacetime. Length of service requirements can vary depending on which years the veteran served, and these may be found and the Veterans Affairs website.

There are unique cases where non-military groups, such as members of the Public Health Service, and cadets at service academies have been granted veteran status and could obtain a VA Loan. Lenders would refer to a VA loan counselor for more information.

When applying for a loan the veteran will produce a DD214/Certificate of Release or Discharge from Active Duty, which will indicate length of service and whether the veteran was honorably discharged. This will assist the lender in obtaining the COE. The veteran can also apply for a COE via the Veterans Affairs website: http://www.ebenefits.va.gov. Veterans dishonorably discharged are not eligible for VA benefits or the VA Loan.

Active-duty military need a Statement of Service (SOS) notifying the length and type of service to determine eligibility. If an active-duty service member is discharged after the date on the certificate a new COE will be required and will subsequently add more time to the loan process.

A non-remarried surviving spouse of a veteran could receive a COE if the servicemember is missing in action or a prisoner of war. If the service member was killed in action or died because of a service-related injury, the surviving non-remarried spouse could receive a COE, as well. There are additional criteria that can be obtained by contacting Veterans Affairs.

The COE indicates the amount of entitlement available to the veteran for the loan. Entitlement is the amount of the loan the VA guarantees if the veteran borrower defaults on the loan. The basic entitlement is $36,000 for loans up to $144,000. For loans over $144,000 and up to $510,400 (the maximum conforming loan amount for Fannie Mae and Freddie Mac acquisition as of January 2020), there may be bonus entitlement available, which is 25 percent. For loans over $510,400 the maximum entitlement is 25 percent of the loan limit – these are set by individual counties.

It is possible the amount of entitlement is less than $36,000 if the veteran previously used the entitlement and it was not restored. In that case, the veteran could opt to pay a down payment to cover the unpaid balance or apply for restoration of previously used entitlement.

The VA Loan Appraisal Process

The real estate professional knows that the purpose of a property appraisal is to estimate value to protect the interest of buyers, lenders, and loan servicers. The Department of Veterans Affairs appoints skillfully qualified fee appraisers to the VA's fee appraiser panel to protect the interest of those involved in the purchase and financing of the property, as well as protecting the interests of the Department.

Appraisals for VA Loans require specific turnaround times, as determined by each state. In Indiana, the turnaround time for a VA fee appraisal is five days. The Department of Veterans Affairs expects the panel of appraisers to respond quickly to questions regarding the status of an appraisal.

If during the appraisal process, the appraiser notes that the estimated market value of a property is under the sales price, the appraiser must notify the lender to give the lender the opportunity to produce further evidence from the market that should be considered in valuing the property. If after two business days there is no market data produced to dispute the lower value, the appraiser will complete the report as found. This is known as the "Tidewater process."

The Tidewater process allows those that request appraisals to provide additional market information to help support the sale price. The appraiser notes on the appraisal that the Tidewater process was used in determining value. Should the appraisal requester fail to provide additional comparable market data to prove value, the appraiser notes this on the appraisal report, as well to show that the Tidewater process was used.

Appraisers approved by the Department of Veterans Affairs are subject to strict reviews for timeliness, customer service and accuracy. Each appraisal is reviewed and those appraisers that do not meet the expectations of Veterans Affairs are removed from the panel.

Appraisers analyze all sales contracts and must receive all copies of contract amendments. The real estate professional must be sure to send all amendments to the lender file so the appraiser can also have access.

Property Eligibility for VA Loans and Appraisal

There are many properties eligible for VA Loans including existing construction, new construction, proposed construction, REO properties ("Real Estate Owned" by lenders due to foreclosure), manufactured homes classified as real estate, condominium units, and properties to be updated or improved. The lender is responsible for having the knowledge to determine if a property is eligible. Should the lender fail to exercise due diligence when determining property eligibility, the VA may not pay on future claims for the property. There are some properties that are not eligible for VA Loans. Again, it is the lender's responsibility to make the determination of eligibility, but if the appraiser starts an appraisal on an ineligible property, the appraiser should stop working immediately and notify the lender. Ineligibility could be based on the location of the property, or other factors such as the type of property or conformity. Properties ineligible based on location would typically be those in areas where there are hazardous waste concerns, special flood zones where flood insurance is not available, and areas with soil instability. Ineligibility in other situations could be a property that does not comply with current zoning regulations or non-residential property. More information regarding property eligibility may be found at the Department of Veteran Affairs website.

New construction properties secured by a VA Loan are required to include a construction warranty from the builder. Additionally, after a new construction project is complete, the VA approved appraiser must visit the property and certify that the property meets the criteria upon which the appraisal was based.

Upon appraisal of an eligible property, the appraisal will prepare a list of items that need repaired. Repairs must be made using quality materials and in a satisfactory manner. Items that are not completed to the required standard will be noted by the appraiser and resent to the lender.

Appraisal Fees

Appraisal fees are collected from the appraisal requester and not from the veteran. Appraisal fees for VA Loans are limited by area and competition. For example, the most an appraiser can charge in Indiana is $525 for a single-family home, condominium, or manufactured home and $675 for a 2-4 unit multi-family home (must be owner-occupied). However, if other appraisers charge a lower amount for non-VA Loan appraisals, the fee charged cannot go above the competition's rate. Appraisal fees can be found at www.benefits.va.gov/HOMELOANS/appraiser_fee_schedule.asp.

Seller Concessions

There are limits on all loans for the amount sellers may contribute to buyer's loan costs, known as seller concessions. On VA Loans, the limit is 4% of the purchase price of the home. The 4% limit is for prepayment of property taxes, appliances and other builder gifts (with new construction), discount points above 2% of the loan amount, payoff of the buyer's judgments and debts, and payment of the VA funding fee. It is possible for the seller to pay additional toward the buyer's closing costs, for instance an additional fee not listed above is paid by the seller. So, if the appraisal is an additional .05% of the purchase price, the seller could pay 4.5% of the purchase price.

Borrower Fees

Fees required to be paid by the borrower obtaining a VA Loan are:

- VA funding fee, unless exempt
- reasonable and customary amounts for any or all fees designed by the VA
- reasonable discount points
- one percent flat charge by the lender
- second appraisal fee if the veteran is requesting reconsideration of value
- recording fees
- credit report
- prepaid items
- hazard insurance
- determination of flood zone by a third party
- survey, if required
- title fees
- local variance fees if required and if authorized by the VA

There are fees the veteran-borrower cannot be charged as itemized fees, however the lender can charge the borrower out of the flat fee for the charges. These include but are not limited to the lender's appraisals and inspections, settlement fees, document preparation, notary fees, postage and mailing, phone calls, loan processing fees. Additional items can be found at the Department of Veterans Affairs website.

Fees and Charges the Borrower Is Not Allowed to Pay

Certain fees may not be charged to borrowers by lenders. These include attorney's fees (this does not include the individual borrower's attorney fees if the borrower hired the attorney). Lenders cannot charge prepayment penalties, nor charges to discharge any existing loans. Brokerages cannot charge fees or commissions to veteran-borrowers when in connection with a VA loan. *Additionally, veteran-purchaser may **not** be charged, under any circumstances, a brokerage fee or commission in connection with real estate services.* As a note, if a VA loan does not close, the borrower is responsible for certain out-of-pocket expenses, such as appraisal and credit report cost. If the lender has collected the one percent flat fee, it must be refunded to the borrower.

Fees That Can be Included in the Loan

Any VA Loan may include the funding fee in the loan amount. Depending on the type of loan (refinance, new construction, property improvement, etc.) the fees allowed to be included vary. For instance, no other fees or charges (included discount points) may be included in the loan amount for regular purchase or construction loan.

What Borrower Fees Tell the Real Estate Professional When Writing an Offer to Purchase

With the limitation of fees that may be able to be added to the loan amount, the real estate agent should think about the amount of seller concessions written into the offer for purchase. Keep in mind that the seller concessions cap at 4%, but that is only for property tax prepayment, builder gifts, certain discount points, paying off buyer's debts, and the VA funding fee, as noted in the Seller Concessions allowed section. Items over and about those listed could be included as an increase in concessions.

Working with Sellers: Now What?

Listing agents should be clear with the seller when explaining different loan options for potential buyers of the property. Typically, the options for listing property are conventional, FHA, VA, and USDA. Any loan backed by the government comes with a potential for more cost to the seller. Government-backed loans usually come with higher seller concessions, non-negotiable repairs that must be completed prior to closing (and that may add additional seller costs), and possibly longer time to close due to the appraisal and repair process.

It is the decision of the seller which types of loans he or she may accept with an offer. A listing agent should know, even by visually perusing the property, if the seller should think about accepting offers with certain loan types.

The VA Loan, as previously noted, is protective of the buyer. It could be an advantage to a seller to accept an offer for a VA Loan when the home is in good repair. The seller should consider any safety issues in the home, such as handrails present on staircases, entries and exits. The roof should be sound and with no leaking or damage. The HVAC and plumbing should be in good repair with good life expectancy, as well.

Even if a property needs some repairs, it does not mean that the seller should not consider a VA Loan. The seller may have already considered that some repairs would be required even with a conventional loan purchase.

Seller concessions are another factor in accepting a sales contract from a buyer with VA Loan funding. Purchases from veteran buyers using VA Loans typically contain seller concession. Think about why the VA Loan is an advantage to the veteran purchaser: no down payment, lower credit score requirement, fewer costs for the borrower. It makes sense that the seller would be asked to pay concessions for a VA Loan borrower. Most VA lenders require concessions for the contract if the borrower is not making a down payment.

A seller's agent who knows the market and can prepare a good comparative market analysis of the seller's property will know from the start if the market will bear a higher offer than list price on the property. There are times, when the market is strong, that a higher offer – as high over price as the concessions amount may appraise for the purchase price. Of course, in times where the local real estate market is sluggish, this negotiation tactic may not work. So, should a buyer's agent present a full-price offer less 4% in seller concessions, the seller's agent would have to know if counter-offering the buyer with a higher purchase price to reflect the requested concessions would pass the appraisal.

The seller's agent should explain to the seller that there is the chance that the property will not appraise for the purchase price and discuss options for the seller should that be the case. The seller has the choice of coming down in price, which would bring less at closing, of course. The seller could refuse to come down in price and expect the purchaser to pay the difference in the appraisal. The next option is to "split the difference" and buyer come up in cash, and seller come down to "meet in the middle." The last option, of course, is for the seller and buyer to mutually agree to cancel the contract. Unfortunately, that is sometimes the only solution when the numbers are too far apart.

Advantages for the Seller When Selling a Property to a Veteran

Sellers' agents, when receiving offers from a pre-approved Veteran purchasing with a VA Loan, should counsel the seller about the advantages to the Veteran-buyer who qualifies for a VA Loan. A pre-approved Veteran buyer may have an advantage over buyers with other loans, even other government-backed loans, do not have. With no down payment requirement, and lower credit score requirements, the Veteran buyer may be in a good position for VA Loan approval and therefore a closed transaction.

If the subject of seller concessions is an issue, remind the seller that even though purchase offers for veteran buyers purchasing with VA Loans typically come with up to 4% of the purchase price in concessions, offers containing different loan types may come with seller concessions, as well. Buyers purchasing with conventional loans and with less than 10% down payment could ask for up to 3% in seller concessions.

Preparing a Veteran Buyer for Purchase with VA Loan

A buyer's agent, when working with a veteran (or active military) buyer utilizing VA Loan benefits must be aware of the loan process, including what is needed for pre-approval, appraisal, and fees to be expected. If a veteran buyer approaches a real estate professional regarding home purchase, the agent should know what the buyer needs to prepare for a purchase and VA loan. If the buyer has not yet been to a lender, the buyer's agent should talk about the VA Loan and the requirements to obtain the loan. Talk about the Certificate of Eligibility (COE) and how the veteran buyer may obtain his or her COE. Explain the basics of what is required to qualify for a COE – honorable discharge and length of service. Explain that information and a request for the COE may be found on the VA website.

A real estate professional should not assume that a veteran buyer knows about VA Loans, or that there is even a possibility that the buyer could qualify. Keep in mind that veterans come from many different age groups and may have been enlisted during a time of war, or of peace. Some veterans who are in the National Guard, Air National Guard, Coast Guard, or served during a time of peace, may not realize that they may qualify for a VA Loan. Any veteran should be directed to the Department of Veterans Affairs website or office, or to a qualified VA lender to research if the veteran may qualify for the VA Loan.

The veteran buyer that has not visited with a lender should be directed to lenders who specialize in VA Loans. The borrower should understand that the veteran should seek information from more than one lender because fees and loan requirements may differ. Some lenders have a higher credit score requirement from others, and that may make a big difference with whether someone can purchase a home, or not. A veteran buyer applying for a VA Loan should be advised to shop for the best interest rates, closing costs, fees, and annual percentage rate (APR). The fiduciary relationship between the agent and buyer is critical in helping the veteran buyer find the best deal.

A veteran buyer-client should be counseled about fees that the buyer can ask from the seller, and explain to the buyer that the seller is not required to pay seller concessions, may lower the concession amount, or may agree.

Knowledge of current market trends will help a good buyer's agent know how to prepare an offer that will help the buyer get to the closing table. A competitive market analysis (CMA) for properties of interest will help the buyer's agent know the best offer amount based on list price, but will also give the agent an idea if other similar properties that have closed and whether an offer over list price will help the buyer and seller agree on a sales price when concessions are higher than the seller desires to pay, but the buyer needs the seller's full help to close, while still appraising for the purchase price. The appraiser will not deduct the seller concessions from the purchase price to decrease the purchase price.

The buyer's agent should have spoken with the buyer's VA lender and already have information regarding buyer pre-approval, price-range based on the buyer's loan qualifications, interest rate, and wants. The buyer's agent should know the seller concessions required by the lender, based on the amount of purchase, and if the veteran buyer has financial resources if the seller renegotiates the concessions.

Once an offer for purchase has been accepted, excellent negotiating skills are required to help the buyer and seller get to the closing. There could be setbacks or delays along the path to the closing table. Good negotiators on both the buyer and seller side of the transaction will get the best outcome for each party. Appraisal issues, repairs, termites, and underwriting are all part of the transaction that could slow down the process and require further charges for the seller and/or buyer. Agents for buyer and seller should know the best way to push through these issues in a favorable way for all parties.

It is quite possible that a veteran buyer will contact a buyer's agent to help find a property due to a military transfer. In this case, the agent may need to provide additional services that may not be required in other buyer situations. Enlisted personnel often receive orders to move quickly and have only a short window to find a new home in a new location. A buyer's agent must be willing to take more steps than he or she is used to when helping this buyer. In addition to helping find a new home for the transferring buyer, the list of typical buyer relocation questions may include more specific ones, like, proximity near the base, or what type of transportation (public) may be needed.

Buyer's agents must heed fair housing laws when interviewing clients and customers. Questions an agent can ask are "How many in your household," or, "What are your needs, wants and wishes," but asking, "How many children do you have," or, "Does anyone in your family have a handicap," are fair housing violations. Be prepared with a list of common questions to ask, keeping fair housing laws in mind. If a buyer provides familial information up front, and without questions from the agent, that is acceptable practice. Questions about race, color, religion, national origin, sex, familial status, or disability are fair housing violations. Additionally, gender identity and sexual orientation are protected classes under the REALTOR® Code of Ethics.

Agents should avoid steering – directing clients to properties based on the buyer's protected class. For instance, it should never be assumed that a buyer of a certain ethnicity desires to live in a certain area highly populated with the same ethnicity. Questions about private schools, like parochial schools should not be discussed when asking about needs and wants.

Timeline for Working with Veteran Home Buyers

In any real estate transaction, time is of the essence. From the moment an offer is written and accepted, every agent knows that time can be the enemy. The following scenario is a typical event timeline when working with veteran buyers, from start to finish.

Buyer Jerry is a United States military veteran. Jerry is stationed at Fort Riley in Kansas and has received his orders that he is to be transferred to Fort Wayne, Indiana in thirty days. Jerry is married and has three children. Two children are in grammar school and the third is in high school. Jerry's wife, Marla, is currently working and has given a two-week notice to her employer that she will be resigning her job. Jerry currently owns his own home in Kansas and will need to sell the home in order to purchase another. The family's home is secured by a VA loan. There is a balance on the loan of approximately $70,000. Jerry contacts agent Roger to help him get his property listed as quickly as possible so the family can make the move to Indiana. Jerry does not know any real estate agents in Fort Wayne, so he enlists the help of Roger to help find a real estate agent to help him purchase a home. Roger does some research and finds a good match for Jerry with agent Kristi who has a history of working with veteran buyers. Kristi agrees to contact Jerry. Roger informs Kristi that Jerry has received his transfer orders and has been assigned to Fort Wayne, beginning in 30 days. Roger explains that he will be listing Jerry's home as soon as possible and that Jerry may not be able to travel to Fort Wayne to view homes as he will be making some home repairs and updates to help get his home sold quickly. He also explains that Jerry's wife is working a full-time job for the next two weeks and will not be able to look at Fort Wayne homes, either. Kristi is happy to offer her services. Roger and Kristi discuss and agree upon a referral fee.

Both agents have their work cut out for them. There are important timelines on either side of this sale and purchase. Jerry cannot purchase a home in Fort Wayne until his current home sells. He needs to prepare his home for resale while still working, and with Marla working, as well. The couple must think about transitioning their children to another state and another school.

Agent Jerry's job is to quickly prepare a competitive market analysis for Jerry. He will need to be frank with Jerry and Marla about any improvements or changes to the property that will enhance the value. Jerry needs to hire an expert real estate photographer to get the best marketing photos. Because the property must hit the market as the most presentable it can be, it is crucial that it is pristine from the start. All parties – sellers and agents must work quickly.

Kristi's job is more involved on many levels. As Jerry's buyer's agent, she must prepare the list of needs and wants, and find available properties whose owners are willing to accept an offer with VA Loan financing. Depending on the location and buyer criteria, many properties are already out of the running.

First on Kristi's list is to help Jerry and Marla find a VA lender. Since Kristi has worked with many veteran home buyers, she has a list of lenders she can send to Jerry. The first step for Jerry is to get pre-approved for a loan. Kristi stresses the importance of comparing loan fees and closing costs. She volunteers to help look through any documents the lenders provide in case Jerry and Marla have any questions. Kristi explains to Jerry and Marla that when they place an offer on a property, they will most likely want to ask the seller for concessions to help them with closing costs and other costs involved with the loan. She explains that they can ask for up to four percent of the purchase price, but there are closing costs outside of those allowed in concessions that could be received from the seller. All-in-all financial help from the seller could total more than four percent. Kristi also advises Jerry and Marla that a seller is not required to pay concessions and may lower the amount requested or deny altogether.

Jerry and Marla decide on a lender based on lower closing costs. While the lender is preparing information for them, they inform Kristi that they would like to purchase a minimum three-bedroom, two-bath home within three miles of the Fort Wayne base. They prefer to be close to public transportation in case Marla needs to use it to get to and from work.

The buyers are not familiar with the schools in the area. It is important for them that they live in the vicinity of "better schools." Kristi quickly tells them that she cannot make the decision about schools for them and they will have to do some of the legwork themselves regarding what is considered the "better schools." Kristi refers Jerry and Marla to the school district website so they can get the information they need about the schools and obtain contact information about enrolling their children in school. At the same time, Kristi provides the buyers with a list of websites that contain information about Fort Wayne, including amenities, Chamber of Commerce links, business information, and websites directing them to the local police, sex offender list, crime statistics, shopping centers, and other information that will help Jerry, Marla and their children familiarize themselves with the area of the city. Kristi provides this list to all buyers.

Jerry's lender Has approved the buyers for a VA loan in the amount of $175,000, with $5000 in seller concessions needed for closing costs, prepaids, and fees. The entitlement on Jerry's COE is only $34,000. If Jerry does not sell his home in Kansas prior to purchasing a home in Fort Wayne, the couple will need to pay a down payment to make up for 25% of the purchase price. Jerry and Marla make the decision to try and sell the home in Kansas quickly in the hope that Jerry's entitlement will be reinstated to purchase the home in Fort Wayne with no down payment. Marla has family that will help with a down payment should one be required.

After hearing from the lender and reviewing the material Kristi has sent Jerry and Marla, they decide where they would like to start looking for property.

Kristi finds three properties that meet her buyers' needs. All three are located within a mile radius from the military base. She sends the Multiple Listing Service (MLS) data sheets for the properties to Jerry and Marla. They ask her to provide more information on the properties and send them a video tour of each. Prior to previewing the properties, she prepares a competitive market analysis (CMA) for each property based on other properties sold within the past year and in the same subdivisions of the subject properties. Two of the properties are priced competitively at $163,000 and $168,000, while the third seems slightly over-priced at $173,000.

The third property is situated in a desirable neighborhood. It was built ten years ago, is within walking distance of the younger children's grammar school and is near public transportation. Kristi checks the Multiple Listing Service (MLS) for other active properties in the subdivision, but there are none available for sale. She fears this property will not appraise with a full-price or even close to full-price offer. Nonetheless, she makes an appointment to preview all three properties.

Mobile phone in hand, Kristi makes a live video tour of all three properties with Jerry, Marla, and the children. The family agrees that the third property, priced at $173,000 is the most desirable based on location to the army base, schools and transportation. The home has a fourth bedroom and an extra half-bath that appeal to the children who will not have to share a bedroom as they have in the past.

The buyers ask Kristi to record a thorough walk-through of the property, noting any potential issues, and send them the video. Kristi agrees, while also advising the buyers that she thinks the home is somewhat overpriced. She sends the video to Jerry and Marla along with a list of comparable properties showing others have sold recently between $168,000 and $170,000. The buyers advise Kristi that they will look at the video and discuss options. They will contact her with their thoughts.

The following day, Jerry and Marla make an offer of $170,000 on the desirable property with $5000 in seller concessions at closing. The sellers counter with $172,000 with $3000 in concessions. The counter-offer is accepted, in the hope that the home will appraise.

Veteran Seller's Agent

Roger has provided Jerry and Marla the market analysis of their home in Fort Riley, Kansas. From the CMA, he has determined the home should list for between $145,000 and $148,000. Jerry and Marla are ecstatic because they will walk away with some cash and will be able to utilize the full entitlement – if their home sells quickly!

The housing market in Fort Riley remains steady due to the military base. Roger believes their home will sell quickly if they update the paint throughout the home, declutter and clean for showings and make a few minor upgrades in the kitchen by replacing the dated range hood and installing an over-the-range microwave. Roger suggests they have the carpet professionally cleaned and trim back some of the trees in the yard. Jerry and Marla agree to the task. They quickly make arrangements to get through Roger's list within the next week.

Erring on the side of caution, Jerry and Marla choose to list their home on the low end of Roger's CMA. The home will not go on the market for another week while they are sprucing it up and that will leave them three weeks before Jerry is transferred to Indiana.

Roger hires a professional photographer to be on standby as soon as the house is ready for listing. Knowing time is not on his side in this situation, he prepares marketing material including mailings, social media, door-hangers and flyers to be distributed as soon as the listing is active on the MLS.

Fortunately, Jerry and Marla finish the updates within the week and the home is ready to be active on the MLS. Roger is presented a full-price offer within two days. The offer is accepted with a closing in thirty days.

Loan Approval and Appraisal

The brief storyline shows how involved real estate professionals must be when working with veteran and military buyers and sellers. Real estate agents may have to work on their own, reporting back with video and help their clients make decisions by providing them with straightforward information that is not subjective opinion. Agents must work quickly in many cases. Agents representing veteran buyers must make arrangements for the required termite inspection, home inspections (while not required, home inspections should always be recommended), and should be available to help the buyers with any needed information regarding the property, such as utility information, additional information about the neighborhood, etc.

The turnaround time for appraisals in Indiana, as previously noted, is five days. This is a short timeframe for the appraiser, but is advantageous for all parties involved, especially when the buyer must close quickly. The short turnaround time allows for any necessary renegotiation or completion of needed repairs, in the case of a quick closing.

Upon reinspection and approval of inspections by the appraiser, the lender and underwriter can move closer to the closing date since the property has met VA qualifications. In the case of the buyers in the storyline, there is peace of mind that the home even though sight unseen, is of value and to the standards of VA requirements.

The Ultimate Goal

Each real estate professional works in their client's best interest. When working with veteran buyers, real estate agents could find themselves in a position where they must provide services that are not always typical.

Having knowledge of the unique needs of the military buyer, the extensive information available from the Department of Veterans Affairs, VA lending and the process will improve the buyer's experience and provide a smooth transition when transferring to different locations. Because the buyer's time frame can be limited in the home search, and the buyer may not be able to be present to view future homes. The buyer's agent that provides as much information as possible, with the help of tools like video, referencing local websites for information, and knowledge of local lenders will provide the veteran buyer not only a seamless move, but a trusted relationship.

Applying for a Certificate of Eligibility

Depending on the status of the veteran or service member there are different avenues required when applying for a COE. The following information best informs the applicant how to apply:

Veteran

- Copy of the veteran's discharge or separation papers (DD214)

Active-Duty Service Member

- Statement of service, signed by the commander, adjutant, or personnel officer showing the following:
  - Full name
  - Social Security number
  - Date of birth
  - Date the service member entered duty
  - The duration of any lost time
  - The name of the command providing the information

Current or Former Activated National Guard or Reserve Member

- Copy of discharge or separation papers (DD214)

Current Member of the National Guard or Reserves – never activated

- Statement of service signed by the commander, adjutant, or personnel officer showing the following:
  - Full name
  - Social Security number
  - Date of birth
  - Date entered duty
  - Total number of creditable years of service
  - Duration of any lost time
  - Name of the command providing the information

Discharged member of the National Guard – never activated

- Report of Separation and Record of Service (NGB Form 22) for each period of National Guard service, **and**
- Retirement Points Statement (NGB Form 23) and proof of the character of service

Discharged member of the Reserves – never activated

- Copy of the latest annual retirement points, **and**
- Proof of honorable service

Surviving spouse of a veteran who dies on active duty or who had a service-connected disability

- Veteran's discharge documents (DD214) – if available- **and**:
- If receiving Dependency & Indemnity Compensation (DIC), fill out a Request for Determination of Loan Guaranty Eligibility-Unmarried Surviving Spouses (VA Form 26-1817)

  OR if not receiving DIC benefits:

  - A completed Application for DIC, Death Pension and/or Accrued Benefits (VA Form 21P-543EZ), **and**
  - Copy of the marriage license, **and**
  - The veteran's death certificate

These forms are available at the Department of Veterans Affairs Website

Native American Direct Loan

If a veteran or the veteran's spouse is Native American, the Native American Direct Loan (NADL) program may help the veteran get a loan to buy, build, or improve a home on federal trust land. This includes the possibility to get a loan to refinance an existing NADL and reduce the current interest rate.

Eligibility for NADL:

A veteran may be eligible for an NADL if the veteran is Native American veteran or a non–Native American veteran married to a Native American and meets all of the requirements listed below.

All of these must be true:

- The tribal government has an agreement—or Memorandum of Understanding (MOU)—with the Department of Veterans Affairs detailing how the program will work on its trust lands, **and**
- The veteran has a valid VA home loan Certificate of Eligibility (COE), **and**
- The veteran meets our credit standards, **and**
- The veteran has proof that the veteran makes enough money to cover the mortgage payments and other costs of owning a home, **and**
- The veteran will live in the home the veteran is using the NADL to buy, build, or improve

What are some advantages of the NADL?

An NADL offers many benefits, including:

- **No down payment** required in most cases
- **No need for private mortgage insurance (PMI)**, which is commonly charged to conventional loan borrowers
- **Limited closing costs** (fees the applicant pays for services and other costs related to getting a loan and buying a home)
- **A low-interest, 30-year fixed mortgage** (a fixed mortgage means the interest rate will stay the same over the full life of the loan). A veteran can contact the state's VA regional loan center to find what the interest rate will be and to get help starting the loan application.

- **A reusable benefit**, which means the veteran can get more than one NADL to buy, build, or improve another residence in the future.
- **The ability to borrow up to the Fannie Mae/ Freddie Mac conforming loan limit** on a no-down-payment loan in most areas—and more in some high-cost counties. The veteran can borrow more than this amount if the veteran wants to make a down payment.

The process to obtain an NADL

1. **Apply for a VA home loan Certificate of Eligibility (COE)**

The certification confirms that the veteran qualifies for the VA home loan benefit.

2. **Contact the VA regional loan center for the Veteran's state to begin the NADL process**

   The veteran may need to pay the VA funding fee on an NADL.

More information and applications are available at the Department of Veterans Affairs.

Housing Grants for Disabled Veterans

The Department of Veterans Affairs provides grants to servicemembers and veterans with certain permanent and total service-connected disabilities to help purchase or construct an adapted home or modify an existing home to accommodate a disability. Two grant programs exist: The Specially Adapted Housing (SAH) grant and the Special Housing Adaptation (SHA) grant.

Specially Adapted Housing (SAH) Grant

SAH grants help veterans with certain service-connected disabilities live independently in a barrier-free environment. SAH grants can be used in one of the following ways:

- Construct a specially adapted home on land to be acquired
- Build a home on land already owned if it is suitable for specially adapted housing
- Remodel an existing home if it can be made suitable for specially adapted housing
- Apply the grant against the unpaid principal mortgage balance of an adapted home already acquired without the assistance of a VA grant

Special Housing Adaptation (SHA) Grant

SHA grants help veterans with certain service-connected disabilities adapt or purchase a home to accommodate the disability. The veteran can use SHA grants in one of the following ways:

- Adapt an existing home the veteran or a family member already owns in which the veteran lives
- Adapt a home the veteran or family member intends to purchase in which the veteran will live
- Help a veteran purchase a home already adapted in which the veteran will live

Temporary Residence Adaptation (TRA) Grant

A temporary grant may be available to SAH/SHA eligible veterans and servicemembers who are or will be temporarily residing in a home owned by a family member.

- The TRA grant will not be deducted from the total grant funds available to a veteran or servicemember
- The TRA grant will be deducted from one of the three usages available to the veteran or servicemember
- The maximum amount available to adapt a family member's home for the SAH grant is $39,669 and for the SHA grant is $7.083

Eligibility

If the applicant is a servicemember or veteran with a permanent and total service-connected disability, he or she may be entitled to a Specially Adapted Housing (SAH) grant or a Special Housing Adaptation (SHA) grant. The following table provides an overview of VA's housing grant programs for Veterans with certain service-connected disabilities.

Eligibility	Living Situation	Ownership	Number of Grants the Applicant Can Use
Loss of or loss of use of both legs	Permanent	Home is owned by an eligible individual	Maximum of 3 grants, up to the maximum dollar amount allowable
Loss of or loss of use of both arms			
Blindness in both eyes having only light perception, plus loss of or loss of use of one leg			
The loss of or loss of use of one lower leg together with residuals of organic disease or injury			
The loss of or loss of use of one leg together with the loss of or loss of use of one arm			
Certain severe burns			
The loss, or loss of use of one or more lower extremities due to service on or after September 11, 2001, which so affects the functions of balance or propulsion as to preclude ambulating without the aid of braces, crutches, canes, or a wheelchair *			

Specially Adapted Housing (SAH) Grant

*This grant is limited to 30 recipients per fiscal year. Servicemembers or veterans that have the qualifying disabilities to be rated eligible but did not receive one of the 30 grants due to the cap being reached, may be able to utilize this benefit in FY 2021 or future years, provided the new FY cap is not also surpassed.

Eligibility	Living Situation	Ownership	Number of Grants the Applicant Can Use
Blindness in both eyes with 20/200 visual acuity or less	Permanent	Home is owned by an eligible individual or family member	Maximum of 3 grants, up to the maximum dollar amount allowable
Loss of or loss of use of both hands			
Certain severe burn injuries			
Certain severe respiratory injuries			

Special Housing Adaptation (SHA) Grant Benefit

The SAH and SHA benefit amount is set by law but may be adjusted upward annually based on a cost-of-construction index. The maximum dollar amount allowable for SAH grants in fiscal year 2020 is $90,364. The maximum dollar amount allowable for SHA grant in fiscal year 2020 is $18,074. No individual may use the grant benefit more than three times up to the maximum dollar amount allowable.

A temporary grant may be available to SAH/SHA eligible veterans and servicemembers who are or will be temporarily residing in a home owned by a family member. The maximum amount available to adapt a family member's home for the SAH grant is $39,669 and for the SHA grant is $7,083.

How to Apply

To apply for a grant, fill out and submit VA Form 26-4555, *Application in Acquiring Specially Adapted Housing or Special Home Adaptation Grant*. This form can be accessed by:

- Applying online via www.ebenefits.va.gov
- Calling VA toll free at 1-800-827-1000 to have a claim form mailed
- Visiting the nearest VA regional office. Find the nearest office by visiting the VA regional office locations or calling VA toll-free at 1-800-827-1000

Sanctions Against Program Participants

The Department of Veterans Affairs is authorized to impose sanctions against persons or entities who take actions which are detrimental to the VA loan guaranty program. The type and severity of the sanction imposed is based on:

- the type of participant (i.e., lender, builder, management broker, etc.), **and**
- the nature of the actions (i.e., fraud, significant deficiencies in performance, ongoing disregard for VA requirements, etc.).

Sanctions may be imposed in the form of:

- civil money penalties, **and/or**
- the participant's full or partial exclusion from participation in the VA loan guaranty program for a certain time period.

Appeals

Program participants with imposed sanctions have the right to appeal. The notice informing the participant that sanctions will be/are imposed explains the appeal process.

Program Participants

Any person or entity conducting business related to the VA loan guaranty program is considered a program participant. This includes, but is not limited to:

- lenders
- employees of lenders
- loan holders
- loan servicers
- builders
- real estate brokers or agents
- management brokers
- repair contractors
- compliance inspectors
- fee appraisers
- salespersons, and
- manufactured home manufacturers, dealers, or park operators.

Note: A person is **not** considered a program participant just because he or she obtains a VA loan.

The VA may impose sanctions against a program participant who is also a veteran eligible for loan guaranty benefits. This does not preclude the veteran from using the veteran's entitlement to obtain a VA-guaranteed loan.

Sanctions for Program Participants

Full Exclusion: A participant who is fully excluded from the program may not:

- conduct any type of VA loan guaranty business, **or**
- have another party conduct such business on his or her behalf

Partial Exclusion: Partial exclusion may involve limitations on:

- the role the participant may play, **or**
- how the participant conducts VA loan guaranty business

Program Participants and Excluded Parties: Program participants may not:

- do VA business with an excluded party if the type of transaction involved is prohibited by the terms of the party's exclusion, **or**
- allow an employed excluded party to perform prohibited duties

Violation of the above restrictions may result in VA sanctions against the program participant doing business with (or employing) the excluded party.

Identifying Excluded Parties: Participants may check the *List of Parties Excluded from Federal Procurement and Nonprocurement Programs* published by the U.S. General Services Administration (GSA). The list can be obtained in hard copy by subscription through the Superintendent of Documents, U.S. Government Printing Office, Washington, DC 20402, and electronically, via the Internet at www.epls.arnet@gsa/gov.

Note: Contact GSA at (202)501-4740, or, online at epls.support@gsa.gov for details.

Nature of Exclusion

Some of the sanctions for parties listed may include exclusion from:

- participation in the programs of all Federal agencies, including VA, **or**
- a specific program of a specific Federal agency

Information for Lenders to Check on Excluded Parties

Lenders and other parties may want to check whether a program participant has been excluded for the following purposes:

- lender is employing the program participant, **or**
- lender is participating in a VA loan guaranty-related transaction, if the program participant is also a party to the transaction

Note: This does not refer to a veteran using entitlement to obtain a VA loan

Reasons for Lender Check

The following illustrates some of the reasons why a lender or other party would want to check on a participant's exclusion:

- A lender hiring an underwriter for its VA lending activities may want to verify that the underwriter is not an excluded party.
- A lender making a loan to a veteran for new construction is told by another lender that the builder has had problems with some of its HUD/FHA transactions. The lender may want to verify that the builder is not an excluded party.
- A management broker establishing a panel of contractors to do repairs to VA-owned properties must ensure that none of the panel members are excluded parties.

Lender Certification

A lender must submit a signed certification with each loan submission indicating that in processing and underwriting the loan, the lender has complied with VA requirements, regulations, and the law.

False Lender Certification

Any lender who knowingly and willfully makes a false certification may be subject to civil money penalties equal to the greater of:

- two times the amount of the Government's loss on the loan involved, **or**
- another appropriate amount, not to exceed $10,000

In addition to monetary penalties, the VA may impose other sanctions including, but not limited to:

- debarment and suspension, **and**
- loss of automatic authority

Lenders That are Assessed a Monetary Penalty

Lenders assessed civil money penalties for a false certification do not appear in *GSA's List of Parties Excluded from Federal Procurement and Nonprocurement Programs*. Other program participants may still transact VA business with these lenders.

Exception: Lenders may appear on the GSA list if another sanction is imposed against them in conjunction with the civil money penalty. In such cases, other program participants may be prohibited from transacting business with them.

Withdrawal of Automatic Authority

The Department of Veterans Affairs can withdraw a lender's automatic authority for *proper cause*, after giving the lender 30 days' notice. This applies to both supervised and unsupervised lenders.

Submitting Loans for Prior Approval

The lender may continue processing loans on a prior approval basis after automatic authority has been withdrawn.

Note: It is the lender's responsibility to submit all loans for prior approval as long as automatic authority is withdrawn.

VA Business with Other Participants

Lenders with their automatic authority withdrawn do not appear in GSA's *List of Parties Excluded from Federal Procurement and Nonprocurement Programs*. Other program participants may still transact VA business with these lenders.

Exception: Lenders may appear on the GSA list if another sanction is imposed against them. In such cases, other program participants may be prohibited from transacting business with them.

Withdrawal for an Indefinite Period

Withdrawal for an indefinite period can be based on:

- failure to continue meeting basic qualifying criteria
  - for supervised lenders this includes loss of status as an entity subject to examination and supervision by a Federal or state regulatory agency
  - for unsupervised lenders this includes no approved underwriter, failure to maintain $50,000 working capital, and/or failure to file the required financial statements
- poor underwriting or consistently careless processing during the probationary period for newly-approved unsupervised automatic lenders.

Withdrawal for 60-day Period

A withdrawal period of 60 days can be based on any of the following situations:

- Loan submissions show deficiencies in credit underwriting after repeatedly being called to the lender's attention.
- Use of unstable sources of income to qualify borrowers or ignoring significant adverse credit items affecting applicant's creditworthiness.
- Employment or deposit verifications are hand-carried by applicants or otherwise improperly permitted to pass through the hands of a third party.
- Loan submissions are consistently incomplete after

repeatedly being called to the lender's attention

- There are continued instances of disregard of VA requirements after repeatedly being called to the lender's attention.

Withdrawal for 180-day Period

A withdrawal period of 180 days can be based on any of the following situations:

- Loans conflict with VA credit standards and would not have been made by a lender acting prudently.
- Failure to disclose to VA significant obligations or other information which affects the veteran's ability to repay the loan, and which results in undue risk to the government.
- Employment or deposit verifications are hand carried by the applicant or otherwise mishandled, resulting in submission of significant misinformation to VA.
- Substantiated complaints are received that the lender misrepresented VA requirements to veterans to the detriment of their interests.

Example

The veteran was dissuaded from seeking a lower interest rate based on the lender's incorrect advice that such options were excluded by VA requirements.

- Closing documents show instances of improper charges to veteran after the impropriety of such charges are called to the lender's attention by VA, or the lender refuses to refund such charges after notification by VA.
- Deliberate delays in scheduling loan closings.

Withdrawal Period of 1-3 Years

A withdrawal period of 1-3 years can be based on any of the situations described in the following table:

Situation	Example
Failure to properly disburse loans	Loan disbursement checks are returned due to insufficient funds.
Involvement by the lender in the improper use of a veteran's entitlement	Knowingly permitting the veteran to violate occupancy requirements, or lender involvement in the veteran's sale of entitlement to a third party.
	Lender makes the loan with the knowledge that the veteran is not purchasing the property to be his or her home. Instead, the veteran intends to transfer title to a third party who assumes the loan shortly after closing.

Withdrawal of LAPP Authority

The authority to determine value under the Lender Appraisal Processing Program (LAPP) is a privilege delegated to lenders at the Department of Veterans Affairs discretion. Lenders maintain this privilege by complying with all applicable LAPP-related VA requirements.

The VA can amend or withdraw the special privilege of LAPP authority from a lender for proper cause. This applies to both supervised and unsupervised lenders with automatic authority that have been granted LAPP authority.

LAPP authority can be withdrawn for a specific or indefinite period of time.

Examples of withdrawal for proper cause: The following is a non-inclusive list of examples of proper cause that can form a basis for withdrawal of LAPP authority.

- ***Technical incompetence***

  Conduct demonstrating insufficient knowledge of industry-accepted appraisal principles, techniques, and practices and/or the inability to adequately apply them in reviewing appraisal reports and making value determinations for VA purposes.

- ***Substantive or repetitive errors***

  A substantive error is one which significantly involves the value determination or condition of the property. In the aggregate, nonsubstantive errors which are frequently repeated may also indicate that LAPP case reviews are being performed in a careless or negligent manner.

- ***Disregard for VA requirements***

  Continued disregard for the VA requirements and procedures outlined in VA regulations, guidelines, instructions, or applicable laws, after the problem has been brought to the lender's attention.

- ***Failure to meet qualification requirements***

  The lender or the lender's staff appraisal reviewer (SAR) no longer meets the basic LAPP qualification requirements.

- ***Civil judgments and convictions***

Notice of Sanction: Generally, the VA will provide written notice at least 30 days prior to imposition of the sanction to:

- the lender's staff appraisal reviewer (SAR)
- the lending officer responsible for the quality of the SAR's work, and
- any other appropriate official(s)

Note: The VA's notice provides the basis for the sanction and information on how to exercise appeal rights.

The VA is not required to give 30 days' notice if the government's interests are exposed to immediate risk from the lender's activities. In such cases, the withdrawal is effective immediately.

Once LAPP authority is withdrawn, the VA must:

- make all determinations of reasonable value for the lender, **and**
- issue the Certificates of Reasonable Value

Note: For any withdrawal longer than 90 days, the lender must reapply to the VA to participate in LAPP.

Probation

As an alternative, VA may impose a probationary period for a specified period to further evaluate LAPP-related performance. During that period, the VA office, at its discretion, may require

- VA review of appraisal reports and lender notices of value
- VA staff issuance of the lender's VA value notices
- increased VA quality control review of the lender's LAPP cases, **or**
- other measures designed to monitor and improve performance.

Other Sanctions

Withdrawal or amendment of a lender's LAPP authority does not preclude the VA from also withdrawing automatic processing authority or taking debarment or suspension action against the lender for the same cause.

Relationship with Other Program Participants

Lenders with their LAPP authority withdrawn do not appear in GSA's *List of Parties Excluded from Federal Procurement and Nonprocurement Programs*.

Other program participants may still transact VA business with these lenders.

Exception: Lenders may appear on the GSA list if another sanction is imposed against them. In such cases, other program participants may be prohibited from transacting business with them

Responsibilities of the Lender

As long as LAPP authority is withdrawn, it is the lender's responsibility to ensure that the VA, and not the lender makes all determinations of reasonable value and issues the Certificates of Reasonable Value on its loans.

Debarment and Suspension

Debarment: Debarment is a sanction that in most cases excludes the program participant from any participation in the nonprocurement programs of any Federal agency, including VA's loan guaranty program.

Note: Occasionally debarment is used to exclude the participant from only certain types of transactions.

Debarment Time Period: Debarment is effective for a period appropriate to the seriousness of the cause. Often a period of 3 years is deemed appropriate.

Suspension: Suspension has the same impact as debarment, but is imposed on a temporary basis, pending the outcome of:

- investigative
- legal, or
- debarment proceeding

Note: Suspension can be followed by debarment if the results of the proceedings warrant.

Suspension Time Period: Suspension generally does not exceed 18 months. It is imposed for a temporary period pending:

- investigative
- legal, **or**
- debarment proceedings

Note: An additional period of debarment may follow.

Geographic Scope of Exclusion: The debarred or suspended participant is excluded from targeted activities in all locations.

Debarred Loan Guaranty Participants: All loan guaranty program participants debarred by VA are listed in GSA's *List of Parties Excluded from Federal Nonprocurement Programs*. Most of these debarments are Government-wide.

The GSA list contains government-wide debarments of parties who cannot participate in the nonprocurement programs of any Federal agency.

Entities: Any program participant (individual or entity) and/or affiliate can be debarred or suspended. If the participant is an entity, the sanction can be imposed against the:

- entire organization
- a certain part of the organization, **or**
- only certain individuals

VA Regulations: The Department of Veterans Affairs can impose debarments or suspensions based on any of a multitude of causes outlined in VA regulations 38 CFR 44.305, and 38 CFR.44.405.

Causes for Debarment or Suspension: The regulations authorize VA to debar or suspend participants for "Any other cause of so serious or compelling a nature that it affects the present responsibility of a person." These causes include, but are not limited to:

- conviction of, or civil judgment for, fraud, embezzlement, theft, forgery, falsification or destruction of records, commission of an offense evidencing serious lack of integrity
- violation of the terms of a public agreement or transaction so serious as to affect the integrity of an agency program
- knowingly doing business with a debarred, suspended, ineligible, or voluntarily excluded person, **or**
- failure to pay debts owed to the federal government

Limited Denial of Participation (LDP)

A limited Denial of Participation (LDP) is a sanction imposed by a local VA office limiting a program participant's activities within that local VA office's jurisdiction can either exclude the program participant from participation in any VA loan guaranty activities in the geographic area or just certain types of loan guaranty activities in the geographic area, and can be the sole sanction against a participant, or a means to immediately end unacceptable conduct while more severe sanctions are considered.

Note: An LDP may prohibit the participant from performing VA appraisals, but not from acting as a management broker or in another role.

Participant is an Entity: If the participant is an entity, the sanction can be imposed against the entire organization, a certain part of the organization, or only certain individuals.

LDP Exceptions: An LDP can be imposed against any program participant (individual or entity) and/or affiliate except:

- lenders
- employees of lenders, **and**
- manufactured home manufacturers

Causes for LDP: The VA can impose LDPs based on any of many cases outlined in VA regulations. The causes include, but are not limited to:

- irregularities in a participant's or contractor's performance in the VA loan guaranty program
- failure to satisfy contractual obligations or to proceed in accordance with contract specifications
- construction deficiencies deemed by VA to be the participant's responsibility, **and**
- failure to proceed in accordance with VA requirements or to comply with VA regulations.

LDP as a Reciprocal Action: A local VA office may also impose an LDP as a reciprocal action because an LDP or other sanction was imposed upon the participant by another VA office, or an office of another Federal agency, such as HUD or USDA.

A VA office may also notify local offices of another Federal agency that the LDP action has been taken.

Jurisdiction Restrictions: The participant is excluded from targeted activities only within the jurisdiction of the VA office imposing the sanction. If other VA offices impose a reciprocal LDP, the exclusion applies within their jurisdictions also.

Appeal Rights: No additional appeal rights are provided to the participant for reciprocal LDPs. The participant is provided appeal rights with the original LDP only and may choose to exercise them at that time.

LDP Time Period: LDPs can be imposed for a specified period up to 12 months.

Builders with Unresolved Deficiencies: In cases where builders have unresolved construction deficiencies, the LDP may be for

- an indefinite period pending correction of the construction deficiencies, **or**
- a specified period up to 12 months

Obtaining LDP Party Information: LDP parties are not listed in GSA's *List of Parties Excluded from Federal Procurement and Nonprocurement Programs*. Therefore, information must be obtained from the local VA office.

Unfair Contract Provisions or Marketing Practices

The VA may impose sanctions, such as debarment, suspension, or LDP against participants who use contracts of sale, or methods or practices in the marketing of properties, which are unfair or prejudicial to veteran-purchasers. Unethical practices based upon experience and standards generally observed by reputable homebuilders and other reputable program participants are barred by the VA, and grounds for sanctions.

Unfair Marketing Practices: Unfair marketing practices include, but are not limited to:

- enforcement of unfair contractual provisions
- requiring purchasers to execute so-called "contracts" which legally bind the purchasers but do not bind the seller to deliver the property when completed to the purchasers

Example*: limiting a seller's liability to the refund of the earnest money deposit*

- advertising that a property or project is "VA guaranteed" or "VA approved" or "VA inspected" in such a way as to lead veterans to believe that VA guarantees the construction and workmanship
  Note: *"VA financing available," "Eligible for VA financing," or similar advertising is acceptable*
- delaying tactics on the part of the builder to postpone completion of the property or the closing of the sale after completion to induce the veteran to agree to a modification of a firm contract such as

- the substitution of inferior materials
- the omission of appliances, **or**
- an increase in price
- failure of the seller or agent of the seller of proposed or newly constructed property to place deposits or down payments received from veteran-purchasers in a special trust account, as required by regulations:
    - failure to place down payment or earnest money deposits in a trust fund or in escrow when required by law or by local practice on existing properties, **or**
    - failure or inability of the seller to return the deposit when and if required under the contract when it is not required or not customary for these deposits to be "isolated," **and**
- failure of the seller of proposed or newly constructed property to state in the sales agreement, when applicable, that the property was or will be constructed under FHA compliance inspection procedures pursuant to *section 203(i) or 221(d)(2) of the National Housing Act.*

Violations of Equal Housing Opportunity Laws

VA may impose sanctions, such as debarment, suspension, or LDP against participants who violate statutory provisions and regulations governing equal opportunity in housing. These laws and regulations include:

- Equal Credit Opportunity Act (ECOA)
- The Fair Housing Act
- Section 527 of the National Housing Act, and
- VA Regulations

Based on these provisions and VA's policy on unfair marketing practices, VA may impose sanctions if any party involved or financially interested in the construction or sale of property has declined to sell property to an eligible veteran because of:

- race
- color
- sex
- handicap
- familial status
- religion, or
- national origin

Equal Housing Certification: The equal housing certification is required by builders or other parties requesting the following types of VA appraisals

- a Master Certificate of Reasonable Value on proposed or existing housing, **or**
- an individual appraisal of existing housing that was not previously occupied.

The certification provides that the builder or other party will not decline to sell the appraised property to a prospective purchaser because of his or her:

- race
- color
- religion
- sex, or
- national origin

Note: This requirement is satisfied by completion of VA Form 26-8791, *VA Affirmative Marketing Certification.* See example.

Veteran Equal Housing Certification: Any veteran obtaining a VA-guaranteed loan is also required to certify that he or she will not decline to sell the home in the future based on these discriminatory factors. The certification is found in the *Veteran's Certifications* on VA Form 26-1820, Report and Certification of Loan Disbursement.

VA Fee Appraisers

Requirements

Qualifications for VA Fee appraisers:

- The applicant must have and retain current residential appraiser licensure or certification issued by the state in which VA appraisals will be completed.
- The applicant must show to the satisfaction of the secretary that his or her character, experience, and the type of work in which he or she has had experience for at least five (5) years qualifies the applicant to competently appraise and value within a prescribed area the type of property to which the approval relates.
- The applicant must submit recommendations from other appraisers.
- There may be no conflict of interest between the applicant's employment and performance as a fee appraiser with VA.
- Employees of the Department of Housing and Urban Development (HUD), Federal National Mortgage Association (FNMA), Federal Home Loan Mortgage Corporation (FHLMC), or the postal service are ineligible.
- Local and state government employees may be designated but care must be taken that assignments to them will not result in a conflict interest or the appearance of a conflict of interest.
- Field stations will perform a search through the Credit Alert Interactive Voice Response System (CAIVRS) to determine if the applicant has any outstanding delinquent debts to the federal government. If the applicant owes the federal government a delinquent debt, there must be evidence of payment in full of the debt, or evidence of an acceptable repayment plan and confirmation that the applicant executed a promissory note for the entire debt balance.

- By completing the application to become a VA fee appraiser (VA Form 26-6681) applicants are authorizing VA to obtain a credit report. (In item #19 of the VA Form 26-6681, preceding the list of Geographic Area(s) of Practice, enter "By signing below I agree that VA may obtain a copy of my credit report."
- Written tests are not required. Field stations shall require a demonstration appraisal on a Freddie Mac Form 70 or Fannie Mae Form 1004 (Uniform Residential Appraisal Report). Prior to the demonstration appraisal, applicants will be furnished instructional or procedural material necessary to complete the appraisal. When feasible, the regional loan center will assign the property to be appraised. The applicant must certify on the demonstration appraisal that he or she received no assistance from any other person(s) in completing the report.
- An individual may be designated to more than one fee roster geographic area provided he or she demonstrates the required experience or qualifications (geographic competency).

Customer Service Expectations for Appraisers

Appraisers who are appointed to VA's fee appraiser panel are well-qualified, experienced appraisers. Fee panel appraisers are entrusted with the responsibility of performing accurate and timely appraisals for VA's Home Loan Guaranty program. While VA fee panel appraisers are not VA employees, they are among the most visible participants in VA's Home Loan Guaranty program. Appraisers serving on VA's fee appraiser panel are expected to always serve veterans and their mortgage lenders in a professional manner. The VA is committed to providing the highest level of customer service to all veterans.

Reassignments

If the VA fee appraiser finds that the appraisal request must be reassigned due to a conflict of interest or other valid reason, the appraiser must immediately notify the RLC to assign another appraiser.

Appraisal Status

Fee appraisers may be contacted by lender and servicer employees other than SARs inquiring about the status of the appraisal. Fee appraisers are expected to respond promptly, by the next business day at the latest, providing an update on when the appraisal report is expected to be completed.

Appraiser's Notification to a Lender

When preparing an origination appraisal for a purchase, if the estimated market value appears to be below the sales price, the appraiser must notify the lender regarding additional market data.

Appraisal Clarifications

The appraiser may be contacted by the appraisal reviewer, either a lender's or servicer's SAR or VA staff, to discuss the appraisal report. Appraisers are required to respond by the next business day. If a correction or clarification is needed on the appraisal report, a complete, revised appraisal report must be uploaded into WebLGY (the information portal used by VA lenders and appraisers).

Oversight

The work of each fee appraiser is subject to quality review. Every appraisal report is desk reviewed by a SAR or VA staff. VA takes appropriate action, up to removal from VA's fee appraiser panel, when appraisers fail to meet VA's expectations for customer service, accuracy, and timeliness.

Timeliness

When ordering appraisals, lenders should provide contact information for the individual who will provide the appraiser with access to the property without having to make any additional calls.

Prompt Scheduling of Appointment

Appraisers must make contact to schedule an appointment within two business days of receiving an assignment, documenting the activity in WebLGY to help ensure that a mutually convenient appointment is scheduled, and the appraisal is completed on time.

Delays

The appraiser must place notes in WebLGY to inform the lender of any delays beyond the appraiser's control in obtaining access to view the interior of the property. A timeliness exception may be allowed when valid extenuating circumstances are documented in WebLGY. Lenders should check WebLGY for updates before contacting appraiser.

Appraisal Report Completion

If a delay noted in WebLGY extends the completion of the appraisal beyond the timeliness standard, the appraisal report must be uploaded no later than 3 business day after the appointment.

Comparable Sales Data

For each potential comparable sale submitted, the following information should be provided:

- street address,
- sales price,
- date of sale,
- gross living area,
- if the property was listed, a copy of the listing with details about the property, **and**
- any other information to assist the appraiser in determining whether the sale could be used as a comparable property. It is the responsibility of the requester to provide sufficient information for the appraiser to analyze.

Notation in the Appraisal

If market data is submitted, the appraiser will note in the appraisal that this procedure was followed and include the following information:

- street address of each sale submitted,
- whether or not each sale was considered and, if not, the reason, **and**
- the effect of the data, if any, on the opinion of value

If no market data is submitted, after 2-business days, the appraiser will note in the appraisal that the Tidewater procedure was followed and complete the appraisal report.

This process is in no way to be considered as instruction to the appraiser to meet any preset value.

Builders and New Construction

Builder Identification Numbers

The VA registers builders and issues identification (ID) numbers. Builders must obtain an ID number for each state where they are building homes for veterans who are obtaining VA-guaranteed loans.

For all new and proposed construction properties, with the exceptions of a new construction property sold by a lender or a home built by the veteran for his/her own occupancy, the builder must have a valid ID number prior to the Notice of Value (NOV) being issued.

The builder must meet any state and/or local licensing requirements. A list of registered VA builders with ID numbers is available at https://vip.vba.va.gov/portal/VBAH/Home under "Featured Items" in the "Builder Locator."

Certification of Exhibits

The appraiser will certify in the appraisal report, "I hereby certify that the information contained in [specific identification for all construction exhibits, (for example, Smith Construction Plan Type A, 9 sheets, VA Form 26-1852, *Description of Materials*, plot plan by Jones, Inc.)], was used to arrive at the estimate of reasonable value noted in this report.

The appraiser will prepare the appraisal report subject to the completion per plans and specifications.

Construction Inspections

Building Inspections

Many local building authorities have adopted comprehensive residential building codes and perform mandatory inspections at the foundation, framing, and final stages of construction.

On cases involving new or proposed construction, lenders must confirm whether or not local inspections are performed.

The purpose of the inspections is to ensure that the property:

- is built according to the building codes adopted by the local authority, **and**
- has been satisfactorily completed as evidenced by a final construction inspection or certificate of occupancy.

In the event that the local authority provides construction inspections, but none were conducted, the property is ineligible to be the security for a VA-guaranteed loan.

Warranty Requirements for New Construction

On a new construction property, the veteran must be provided with:

- a 1-year warranty on VA Form 26-1859, *Warranty of Completion of Construction*, **or**
- a 10-year, insurance backed warranty

Evidence of Construction Completion

Evidence that the new construction property was satisfactorily completed will be documented as follows:

- If the local authority performs foundation, framing and final inspections, VA will accept the certificate of occupancy as evidence of local authority inspections and satisfactory completion of construction in compliance with local building code requirements. If the local authority does not issue a certificate of occupancy, copies of the three satisfactory inspection reports or a written statement from the local authority confirming the three inspections were completed and that the construction was found to be satisfactory will be acceptable.
- If the local authority does not provide construction inspections, the lender must certify that the property is complete (both on-site and off-site improvements), and that it meets VA Minimum Property Requirements (MPRs) for existing construction.

Warranty Requirements for Proposed Construction

On a proposed construction property, the veteran must be provided with a construction warranty.

Warranty requirements will be determined by whether the local building authority performs construction inspections:

- If the local authority performs foundation, framing and final inspections, VA will accept the certificate of occupancy as evidence of local authority inspections and satisfactory completion of construction in compliance with local building code requirements. If the local authority does not issue a certificate of occupancy, copies of the three satisfactory inspection reports or a written statement from the local authority confirming the three inspections were completed and that the construction was found to be satisfactory will be acceptable. The builder must provide the

Veteran with a 1-year warranty on VA Form 26-1859, *Warranty of Completion of Construction*. VA assistance with construction complaints will be limited to defects in equipment, material, and workmanship reported during the required 1-year VA builder's warranty period.

- If the local authority does not provide construction inspections, the builder must provide both a 1-year builder's warranty on VA Form 26-1859, *Warranty of Completion of Construction* and a 10-year insurance backed warranty. The lender must certify that the property is complete (both on-site and off-site improvements), and that it meets VA MPRs for existing construction (see Chapter 12 of this Handbook). VA assistance with construction complaints will be limited to defects in equipment, material, and workmanship reported during the required 1-year VA builder's warranty period.

Post Construction Inspection by an Appraiser

On proposed construction cases, in addition to any local building authority inspections, the lender must have the VA-assigned fee appraiser visit the property and certify that construction substantially complies with the certified construction exhibits upon which the appraisal was based and that the improvements comply with any conditions of the sales contract (for example, landscaping, decking, or fencing).

Inspection Report Form

The report may be prepared on:

- Fannie Mae Form 1004D – Freddie Mac Form 442, Part B (Part A is not acceptable for VA use), **or**
- the appraiser's letterhead

The report must contain:

- the appraiser's certification that the completed construction substantially complies with the construction exhibits used in the appraisal,
- front and rear exterior photos, **and**
- an invoice for the inspection report

Incomplete Construction Issues

If the appraiser finds that construction is not complete or that there have been deviations from the plans, the appraiser should provide details in the report and include an invoice as the appraiser may charge a fee for each inspection.

Veteran Building His/Her Own Home

Veteran Building a Home If a veteran, acting as a general contractor, is building a home for his/her own occupancy, the appraisal must be ordered as "existing" construction.

No ID Number or Warranty A VA builder ID number and a construction warranty are not required.

Veteran's Statement The lender must obtain the veteran's signed acknowledgement that no construction warranty is provided, and that VA will not assist with any construction defects.

Special Exception for a Veteran Purchasing a New Construction Property Without a Warranty

Special Exception for a Property Without a Warranty An exception may be made for a veteran who wishes to purchase a new home from a builder who is not more than occasionally involved with VA financing and will not provide either a 1-year VA builder's warranty or a 10-year insured protection plan. In that situation, all of the following will be required:

- The Veteran purchaser's written acknowledgment that, "I am aware that this property does not qualify for VA assistance with construction complaints, since it was not inspected by VA during construction. I am also aware that this new property will not be covered by either a 1-year VA builder's warranty or a 10-year insured protection plan, as is normally required in this situation."
- The builder's written certification that, "This company is not more than occasionally involved with VA financing and is aware that this property is being accepted without any VA-required warranty on an exception basis, and only upon the request of the Veteran purchaser. The dwelling was constructed according to standard building practices and is in conformity with all applicable building codes.
- The lender obtains a copy of documentation issued by the local building authority to verify that construction was acceptably completed, such as a final inspection or certificate of occupancy. Where local authorities do not perform building inspections, the Veteran and builder must certify in writing that "The dwelling was not inspected during construction by any state, county, or local jurisdiction."

Builder ID Number: The builder must have a VA-issued builder ID number as the exception only applies to the warranty requirement.

New Construction Sold by the Lender

Appraisal Request: If a lender acquires title to a newly constructed home due to a builder's bankruptcy or cessation of business, the lender must order the appraisal as follows:

- As "existing", not "new", construction, **and**
- As "IND", not "LAPP", as properties sold by the lender are not eligible for processing under LAPP

Documentation Required

The lender must:

- provide evidence of property ownership,

- complete any repairs needed for the property to meet VA's MPRs,
- obtain a certificate of occupancy from the local authority, and
- obtain the veteran's signed acknowledgement that "This property is being purchased as existing construction from a lender who acquired this new construction property from the builder. There is no warranty and VA will not provide assistance with any construction defects."

Reconsideration of Value

Written Request: After the NOV has been issued, the veteran may request reconsideration of value in writing by contacting the RLC of jurisdiction. If the request is submitted to the RLC through the lender, the SAR is encouraged to research market data and provide a recommendation to the RLC with the veteran's request.

Market Data: Providing market data in support of the request is encouraged, but not required. A market data grid is not required.

Review by VA staff: Within 5 business days, VA staff will review the appraisal report, additional submitted data, as well as the market data available through VA's AMS. In some cases, VA staff may conduct a field review which will be completed within 20 business days. If VA staff determines that an increase in value is appropriate, VA will issue an amended NOV.

Repair Inspections

When required on the NOV, repair inspections are completed by appraisers assigned by VA for:

- repairs/alterations/improvements on existing properties,
- customer preference items on new construction properties, **and**
- post-construction inspections on properties appraised as proposed construction to confirm that construction was completed in accordance with the certified construction exhibits upon which the appraised value was based.

Lender Certification Encouraged

When issuing NOVs for existing or new construction properties, SARs are encouraged to condition the NOV for a lender certification of repairs, especially repairs performed by licensed personnel, instead of an appraiser certification. Repair certifications which may involve lead-based paint must be completed by the fee appraiser.

Appraiser Notification

When repairs have been completed and are ready for inspection, lenders must notify the appraiser and provide a copy of the NOV as the requirements on the NOV may differ from the recommendations listed on the appraisal.

When a repair inspection is needed and the VA-assigned appraiser is not available, the lender should notify the RLC of jurisdiction to have another appraiser assigned.

Inspection Report Form

Appraisers may place the repair inspection report on:

- Fannie Mae Form 1004D – Freddie Mac Form 442, Part B (Part A is not acceptable for VA use), or
- the appraiser's letterhead

Inspection Report Requirements

The repair inspection report must:

- list the items on the NOV,
- certify that quality materials were used,
- certify that the items were completed in a satisfactory manner,
- identify any non-compliant items,
- include photos of all items,
- be signed by the appraiser, **and**
- uploaded into WebLGY

Request from the Veteran to Change Lenders

Lender Responsibilities: Lenders are expected to cooperate when a veteran decides to change lenders. The lender who ordered the appraisal must transfer the case to the new lender when requested by the veteran in writing (including email). An appraisal report and case number may be transferred to another LAPP lender in WebLGY by a SAR of the original lender. The new lender should provide to the veteran, their email address, phone number, and VA Lender ID number to be included in the veteran's letter to the original lender.

New Lender Must Issue the NOV: A NOV issued by a SAR is not transferable to another lender. The new lender's SAR must review the appraisal and issue a new NOV to the veteran.

Lender Not Approved for LAPP: If the new lender does not participate in LAPP, the veteran's request to change lenders must be submitted to the RLC of jurisdiction. The RLC will issue the NOV.

Natural Disasters Occurring During the Appraisal Process

Lenders are required to check the FEMA website at *www.fema.gov/disasters* for the specific lists of counties and disaster declaration dates. Disaster information is also provided on the VA Home Loan website, as applicable.

Disaster Occurs Prior to Appraisal Completion

If the appraisal had been ordered, but the appraiser had not yet visited the property before the date of the disaster, the appraiser will complete the appraisal as usual, subject to any VA MPR repairs. No additional documentation is needed.

Appraisal Review

The completed appraisal report will be uploaded into WebLGY and electronically scored by VA's Appraisal Management System (AMS). A Staff Appraisal Reviewer (SAR) employed by a lender or servicer, or VA staff, will review the appraisal and issue a Notice of Value (NOV) to the veteran.

Oversight

VA staff performs oversight by conducting desk and field reviews of completed appraisals and NOVs.

Title Limitations

Lender Responsibilities

If the lender determines that a title limitation or condition discovered prior to loan closing may affect eligibility, the lender must contact the appraiser to determine if the property is still eligible to become the security for a VA-guaranteed loan. If the condition was discovered after the effective date of the appraisal, the appraiser may consider this a new assignment and an additional fee may be charged to the veteran.

VA Processing Procedures

If the VA becomes aware of limitations or conditions that were not considered in the appraisal report or covered by regulations, the Regional Loan Center (RLC) of jurisdiction will:

- contact the fee appraiser if additional information is needed to determine the effect of the limitation or condition on the value estimate,
- consider the impact of the condition or limitation on the reasonable value of the property,
- describe the condition or limitation in WebLGY notes, and
- issue an amended NOV, if appropriate

RLC contact information may be found at the Department of Veterans Affairs website under the benefits section.

Step	Action
1	Obtain a user ID and password for the Veterans Information Portal (VIP) (see Chapter 10, Topic 2 of this Handbook)
2	Ensure that the property is eligible for an appraisal. Contact the RLC with any questions about property eligibility or if the property is not eligible, but is already the security for a VA loan
3	Request for Certificate of Eligibility (COE)
4	Log on to VIP and select WebLGY > Request Appraisal > Select Appraisal Type
5	Input all requested information to generate VA Form 26-1805-1, VA Request for Determination of Reasonable Value
6	To avoid a delay for the veteran, provide a complete legal description and ensure that the Point of Contact's (POC) information is correct and that the POC can provide access to the property for the appraiser without any additional calls
7	WebLGY will: - assign a case number (in liquidation cases, this will be the existing VA loan number for the property that must be provided by the requester) - assign an appraiser (since VA is required by law to select the fee appraiser on a rotational basis from a panel maintained by VA) -generate a completed VA Form 26-1805-1, VA Request for Determination of Reasonable Value -e-mail the assignment to the VA-assigned fee appraiser

Steps for Requesting an Appraisal

Step	Action
8	If the veteran is purchasing a home, the same day the assignment is made, the requester must upload a copy of the sales contract and any construction exhibits into WebLGY. The VA highly recommends the use of reduced-size construction drawings to save copying, mailing, and storage costs for all parties involved. Building plans, elevations and details, traditionally drawn at ¼ inch scale and larger, can be photographically reduced or computer-drawn to be clearly readable on 8½ by 14-inch pages. Other exhibits normally provided in an 8½ by 11-inch format (such as specifications, certifications, etc.) must not be further reduced. The VA does not accept 11 by 17-inch pages as this size is not compatible with scanning equipment generally available to program participants.
9	For all appraisal types, if the legal description is lengthy and does not fit in the legal description block on the appraisal request, a copy of the complete legal description must be uploaded into WebLGY the same day the assignment is made.
10	In most cases, the appraisal will be assigned instantly. If an appraiser is not assigned by WebLGY, please notify the RLC of jurisdiction. Requesters must not re-enter the information as a duplicate appraisal request will be generated.

Housing for Military and Veterans
Review Questions

1. **What information should the buyer's agent know in order to help the buyer in their housing search?**
   a. School Districts
   b. Proximity to the base
   c. Covenants and Restrictions
   d. All of the above.

2. **True or False? Private mortgage insurance (PMI) is required with a VA Loan.**
   a. True
   b. False

3. **If after two business days there is no market data produced to dispute a lower value than the sales price, this process is used.**
   a. Stillwater
   b. Appraisal
   c. Tidewater
   d. Home inspection

4. **True or False? The Native American Direct Loan is a reusable benefit.**
   a. True
   b. False

5. **What type of grant is available for eligible veterans and servicemembers who are or will be residing for a period in a home owned by a family member?**
   a. Specially Adapted Housing Grant
   b. Temporary Residence Adaptation Grant
   c. Special Housing Adaptation Grant
   d. The VA Special Service Disability Housing Grant

6. **True or False? Program participants with imposed sanctions have the right to appeal.**
   a. True
   b. False

7. **The VA may impose any of the following sanctions to a lender who knowingly and willfully makes a false certification EXCEPT**
   a. Jail time
   b. Monetary penalties
   c. Debarment and suspension
   d. Loss of automatic authority

8. **True or False? The VA Appraiser must have and retain current residential appraiser licensure or certification issued by the state in which VA appraisals will be completed.**
   a. True
   b. False

9. **Builders must obtain which of the following in each state where they are building homes for veterans who are obtaining VA-guaranteed loans.**
   a. Certification of Exhibits
   b. Builder Identification Number
   c. Appraisal request
   d. Market Data

10. **True or False? If a veteran requests to change lenders, the lender who ordered the appraisal must transfer the case to the new lender when requested by the veteran in writing.**
    a. True
    b. False

Review Question Answers:
1. d 2. b 3. c 4. a 5. b 6. a 7. a 8. a 9. b 10. a