

2016

VA HOMEBUYER'S GUIDE

Understanding Your VA Loan Benefits & The Home Buying Process



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HawaiiVA Loans

Helping Veterans Become Homeowners

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INTRODUCTION



Did You Know:

In 2014 alone, 1,934 Veterans purchased a home in Hawaii using their VA Loan benefits.

This was a 20.3% increase from 2013.

If you are a U.S. military veteran, or if you are currently serving our country and have been on active duty for a minimum of 90 days, you could qualify for a VA Home Loan. With the special benefits a VA Home Loan provides, it's almost always the best choice of financing available to eligible borrowers.

In this VA Homebuyers Guide, HawaiiVALoans.com will show you why the VA Home Loan program is so great. We will also outline the home buying process to demonstrate how easy it is to become a homeowner just by utilizing your VA eligibility.

In addition, HawaiiVALoans.com will walk you through every step of the home buying process. As a VA approved lender, HawaiiVALoans.com will provide you the necessary paperwork to start the process, help you pre-determine your eligibility, prequalify you for a home purchase and eventually get you approved for a VA Loan. You've earned your VA eligibility and we're here to help you realize your dreams of homeownership!

UNDERSTANDING VA LOANS



The VA has guaranteed over 18 million home loans since 1944 when it set out to help Veterans achieve their goals of home ownership.

The first thing to understand is that the Veterans Administration does not actually lend money. They are not a mortgage company, but they work with mortgage lenders like us to guarantee the home loans that we make to veterans such as you.

In the event that the lender is faced with incurring a loss due to foreclosure, the VA will reimburse the lender all or a portion of the money that they have lost. This guarantee enables lenders to provide VA loans for borrowers that may not qualify under other loan programs. The VA has guaranteed over 18 million home loans since 1944 when it set out to help Veterans achieve their goals of home ownership.

There are also significant, money-saving reasons why you should finance your home with a VA Loan rather than a conventional loan. The number one reason is that you don't have to have a down payment. Other homebuyers may have to save for years to afford their first home, with a VA loan, you can be ready immediately.

VA Loans generally have lower interest rates than most conventional loans, which means more affordable monthly payments. Veterans who get a VA Loan do not have to pay what is known in the conventional loan world as PMI, or private mortgage insur-

UNDERSTANDING VA LOANS (CONT.)



Did You Know:

In 2014, the Department of Veterans Affairs guaranteed \$1,415,854,267 in VA loans in Hawaii with an average loan amount of \$483,277.

ance. This is yet another factor that lowers the monthly mortgage payment on VA Loans.

With recent changes in the mortgage market, it is considerably easier to qualify for a VA Loan than a conventional loan. In fact, some reports say that over 80% of those who qualify for VA Loans could not have qualified for a conventional mortgage. Why? Because with the Veterans Administration backing these loans, a mortgage company such as ours is able to take a risk on a loan that we might not otherwise take.

Standing behind VA Loans is one of the biggest benefits that the Veterans Administration provides for the individuals who have stood behind our country. Why not use those benefits to become a homeowner here in Hawaii?

BENEFITS OF HOMEOWNERSHIP



Did You Know:

In 2014, the Department of Veterans Affairs guaranteed a total of 438,398 VA loans for a total loan amount of \$99,574,287,360.

Buying a home provides a place where you can say, “This is mine.” A home lets you put down roots and build equity in a place of your own.

If you have a growing family, you may be ready to get into a home that accommodates a different lifestyle. Even if you are an empty nester, you may want to experience a different lifestyle in the country or move back to an urban environment. Whatever your needs, you can enjoy a greater sense of personal style and freedom in a home of your own.

Your Home is an Investment

Beyond being just a place to live, when chosen wisely and properly maintained, a home is usually a long-term investment that historically appreciates in value over time*. Instead of paying monthly rent money that you’ll never see again, you can become a homeowner and build up equity that you’ll usually get back if you should you decide to sell.

The longer you pay on a particular home mortgage, the percentage of your payment that goes toward the loan’s principal increases. At first, most of your payment goes to the interest on your loan, but the longer you live in your home the more equity you have in it that is yours whether you decide to sell your home or remain in it forever.

BENEFITS OF HOMEOWNERSHIP (CONT.)



As a homeowner you can take advantage of several different types of tax deductions.

Homeowners also have the ability to borrow against the equity in their home. Interest rates for home equity loans are typically much lower than other types of loans. Although it's never wise to put your home at risk by overextending your credit, you can use an equity loan to pay down credit card debt at a much lower interest rate. That interest may also be tax deductible.

Your Home is a Tax Shelter

As a homeowner you can take advantage of several different types of tax deductions. Your mortgage interest is deductible on your tax return and so are your property taxes. When you sell a home that you have lived in for two or more years, you get the benefit of capital gain exclusions. This means that individuals do not have to pay tax on up to \$250,000 of the profit from the sale of the home. Married couples can waive taxes on up to \$500,000 in profit from such a sale.

Taking into account all of these benefits, it's easy to see why homeownership is a smart decision for anyone.

VA LOAN BENEFITS



With VA Loans, even with no down payment, a VA home buyer does not have to pay for monthly PMI. This can translate into monthly savings of \$200 - \$400 a month.

100% Financing

Today, VA Loans are one of the very few loan programs that do not require a down payment. Most 100% financing programs have disappeared and lenders are now requiring at the very least a 3.5% - 20% down payment in order to qualify for financing.

No Mortgage Insurance Required

With a conventional mortgage, a borrower who does not put at least a 20% down payment is required to pay Private Mortgage Insurance (PMI). With VA Loans, even with no down payment, a VA home buyer does not have to pay for monthly PMI. This can translate into monthly savings of \$200 - \$400 a month.

Reduced Closing Costs

Nobody likes to pay for closing costs. Fortunately for Veterans, a good portion of these costs are waived. Add these up, and Veterans can save roughly \$2,000 in closing cost fees that conventional loan borrowers have to pay when buying a home.

Flexible Qualifying Guidelines

In today's market, lenders are increasingly tightening their mortgage guidelines, making it harder for a potential homeowner to qualify for a mortgage. Fortunately for VA eligible borrowers, VA Loans have not gone through this same tightening phase. As a

VA LOAN BENEFITS (CONT.)



For 2016, the maximum VA loan amount with no down payment is \$721,050 for Oahu, \$713,00 for Kauai, \$657,800 for Maui, Lanai & Molokai and \$625,500 for Hawaii Island.

result, you have a greater chance of getting qualified for a VA mortgage than a conventional mortgage.

Great Loan Amounts

The maximum VA loan amount (with no down payment) is determined by average home prices in each county. In the Continental U.S., the limit will never be less than \$417,000. In Hawaii, the maximum VA loan amount with no down payment is \$721,050 for Oahu, \$713,00 for Kauai, \$657,800 for Maui, Lanai & Molokai and \$625,500 for Hawaii Island.

In addition, you may qualify for a VA Loan amount up to \$1,500,000 if you are willing to make a relatively small down payment.

Easy, Low Cost Refinancing

As a VA mortgage holder, you may automatically qualify for a Streamline Refinance Loan (IRRRL). In addition, certain closing cost fees cannot be passed on to VA borrowers, VA homeowners will save roughly \$1500 in closing costs compared to refinancing through a conventional mortgage.

ENTITLEMENT



Whether you are on active duty, in the reserves, or have been out of the military for years, as long as you are eligible for a VA Loan you can use your entitlement.

Becoming entitled for a VA Loan is just a matter of time. Once you've earned it, there is no specific time limit for using your entitlement to obtain a VA Loan. Whether you are on active duty, in the reserves, or have been out of the military for years, as long as you are eligible for a VA Loan you can use your entitlement.

Your maximum VA loan entitlement is \$36,000, but that small amount will provide enough guaranty to allow you to borrow up to the county loan maximum. In most cases, you may only have one VA loan at a time. Although if you currently have a relatively small VA loan elsewhere, you may be able to obtain a second VA loan here in Hawaii. If this applies to you, contact us for more details on how to calculate your remaining eligibility. Once your VA loan has been paid off (through sale or refinancing to a non-VA program), you can restore your entitlement and regain your full eligibility. However, if you transfer the VA Loan on your home to another person by letting them take over payments then your entitlement is tied up or still in use with this loan and you cannot obtain another VA home loan until the other loan is paid off.

When Veterans sell a home that they've financed with a VA Loan they would be wise to let the new owners arrange their own financing. Doing this allows the Veteran to retain the right to finance their new home with all of the cost-saving benefits of a new VA backed loan.

ELIGIBILITY



At a glance:

**Enlisted before
9/7/1980 or Entered
as an officer before
10/16/1981:**

- Peacetime – 181 days or more
- Wartime – 90 days or more

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As a Veteran, the first step in obtaining a VA Loan is to determine whether or not you are eligible. This determination is made based upon the type of service (active duty or reserve) and the timeframe.

If you enlisted or entered service before September 7th, 1980 you may be eligible for the VA Home Loan program if you served at least 90 days in wartime or 181 days in peacetime. If you enlisted after September 7th 1980 or entered service as an officer after October 16th 1981, you would have needed to serve at least 24 consecutive months (or the full period called to active duty not less than 90 days in peacetime or 181 days in wartime) to qualify for VA Loan benefits.

More time is required for reservists, but those who have served for at least six years are eligible. This can be non-consecutive years of service and service in different branches of the reserves. Service in the Army National Guard, Army Reserve, Air National Guard, Coast Guard Reserve, Navy Reserve, Marine Corps Reserve and Air Force Reserve all count toward your eligibility for a VA Home Loan.

ELIGIBILITY (CONT.)



**Enlisted after
9/7/1980 or entered
as an officer after
10/16/1981:**

- 24 continuous months of active duty, or
- the full period for which called or ordered to active duty, but not less than 90 days (any part during wartime) or 181 days continuous days (peacetime)

Some individuals, who do not meet the requirements for active or reserve duty, may still qualify. These include the following:

- Spouses of deceased veterans, who died as a result of their active service, or a service related injury, are eligible if they have not remarried.
- Spouses of missing in action or prisoners of war are eligible for VA Loans as long as the service enlistee has been missing for over 90 days.
- Also, U.S. citizens who served with an allied country during WWII may be eligible.

CERTIFICATE OF ELIGIBILITY



Fact:

There are some 25 million living Veterans in the United States today, nearly all of whom are eligible for a VA Home Loan. Veterans are 23.1% more likely to own a home than the general population.

A Veteran must prove his or her entitlement by obtaining a Certificate of Eligibility or COE. The process is simple and requires a complete VA Form 26-1880.

Once the form is filled in completely and submitted to the Veterans Administration, they confirm your information and issue a COE. The information needed for the form includes basics such as your name, address, phone number, and Social Security Number.

You will also need to specify which branch of the military you have served, or the branch in which you currently serve, along with your service number, separation of service, or statement of service papers. You will also be asked to provide the VA Loan number for any previous VA Loans that you may have had.

We can help you obtain the forms, fill them out properly and submit them so you can receive your COE. This document makes it possible for us to begin qualifying you for a VA Loan.

In many cases we can determine your eligibility within 24 hours by accessing VA's ACE (Automated Certificate of Eligibility) system.

OCCUPANCY REQUIREMENTS



Veterans should be prepared to move into the home within 60 days after the loan closing.

Unlike conventional loans, which can be obtained for vacation homes or homes used as rental property, VA Loans are only made on primary residences. This means that Veterans should be prepared to move into the home within 60 days after the loan closing.

Some VA Loans are approved if non-military employment elsewhere prevents the applicant from moving into the home within a year. VA Loan applicants who travel on business for extended periods of time may still meet the requirement of primary residence as long as they can show a history of continuous residence in the community and provided there is no indication that they have a primary residence elsewhere.

The spouse of an active duty borrower can satisfy the move-in date requirement even if the Veteran is unable to occupy the property because of active duty commitments. Service members deployed from their permanent duty are considered to have temporary duty status and in such cases, a VA Loan may still be approved without the spouse having to occupy the home until the Veteran returns.

No specific time is required for Interest Rate Reduction Refinancing Loans. For these, a Veteran needs only to certify that he or she previously occupied the home being refinanced.

THE FUNDING FEE



Fact:

In certain circumstances, the VA Funding Fee may be reduced or even waived.

To cover some of the VA Home Loan Program's guaranty and administration costs, nearly all VA borrowers are charged a one-time Funding Fee ranging from 0.5% to 3.3%. The funding Fee can be paid up-front or financed into the loan and is not refunded once the loan has been repaid.

The amount of the Funding Fee is determined by a number of factors including:

- Whether the borrower was or is a member of the Regular Military or part of the Reserves or National Guard
- If the borrower is a first-time user of the VA Home Loan Program or a repeat user
- The amount of the down payment (VA Funding Fee percentage is lowered with as little as 5% down.)

For example, if a first-time VA Home Loan borrower is a regular Military Veteran applying for a zero down payment loan, he or she will pay a 2.15% funding fee. On a \$500,000 loan, the amount would be \$10,750. If they finance it into the loan, the total amount financed would be \$510,750.

THE FUNDING FEE (CONT.)



The Funding Fee may even be waived for the borrower in three situations:

- The borrower receives VA compensation for a service-connected disability.
- The borrower would receive VA compensation if they didn't receive retirement pay.
- The borrower is a surviving spouse of a Veteran who either died in service or from service-connected disabilities.

Type of Veteran	Down Payment	First Time Use	Subsequent Use
Regular Military	None	2.15%	3.3%
	5% or more (up to 10%)	1.50%	1.50%
	10% or more	1.25%	1.25%
Reserves/ National Guard	None	2.4%	3.3%
	5% or more (up to 10%)	1.75%	1.75%
	10% or more	1.5%	1.5%

VA CLOSING COSTS



A typical home buyer doing a VA Loan will save roughly \$1500 in closing costs when compared with obtaining financing through a conventional mortgage.

Along with no down payment, there are other regulations in place that keep up front costs as low as possible for Veterans who take out a VA Loan*.

Allowable Costs that VA Borrowers pay:

- Credit report
- Origination
- Discount Points
- Funding Fee
- Recording
- Appraisal/Notice of Value (NOV)
- Survey
- Flood Zone Determination
- Hazard Insurance
- Title Insurance
- Title Examination

Non-Allowable Costs that VA Borrowers cannot pay for (paid by lender and seller):

- Pest inspection
- Document preparation
- Underwriting
- Processing
- Attorneys
- Tax Service

CONDO ELIGIBILITY



Quick Link

Verify Condominium
Eligibility in
Hawaii at
[HawaiiVALoans.com/
condo-check](https://HawaiiVALoans.com/condo-check)

When using a VA Loan to purchase a home that is a condominium, you will first want to ensure that the condominiums you are interested in are eligible for VA financing. The last thing you want to do is fall in love with a particular condo only to find out that it is not on the VA approved condo list.

Although most condos in Hawaii are VA eligible, not all of them are. How can you tell in advance? Simply log onto our HawaiiVALoans.com website and use our convenient **Condo Eligibility Check tool**.

With our tool, you simply type the first few letters of the condo name into a box and the suggestion tool will automatically return the most relevant results. Once you see the condo name you are searching for, click the name and, just like that, you can find out if the condo is approved for VA financing or not.

If the particular condo that you are searching for does not appear in the search box, the condo is either not approved for VA financing or has yet to be reviewed by the VA regional office. If there is a condo you are interested in buying and it is not on the list, contact a VA Loan Specialist to find out how we can get it approved for VA financing.

THE HOME BUYING PROCESS:



It takes less than 15 minutes to get Prequalified over the phone with one of our VA Loan Specialists. Just call 808-792-4251 or click the blue button to the right to get started.

6 Simple Steps to Buying Your Home

1. Get Pre-Approved: Before you start searching for your new home, it is always recommended to get prequalified from a VA approved lender first. Here's a checklist of items you'll need:

1. **Completed Certificate of Eligibility form (VA Form 26-1880)**. If you are no longer in the military, you will also be required to submit your Discharge Papers (DD Form 214).
2. Most recent LES or pay stubs (one month).
3. Last 2 years W2 statements and Tax Returns (if self-employed)
4. Last 2 months Bank Statements (all pages)
5. Once you have this paperwork ready, contact a VA Loan Specialist at 808-792-4251 or fill out the **VA Loan Request form** at HawaiiVALoans.com. A VA Loan Specialist will determine how much you qualify for as well as your estimated monthly payments.

2. Contact a Real Estate Agent: If you are already working with a real estate agent – great! We'll make sure your agent knows exactly the loan amount you are prequalified for. If you don't already have a real estate agent, we can refer you to a number of qualified agents that can help you find the home that fits your specific needs.

THE HOME BUYING PROCESS (CONT.)



Quick Links

Download Certificate of Eligibility Form:

HawaiiVALoans.com/coe

Get prequalified from a VA Loan Specialist:

HawaiiVALoans.com/purchase

Condo Eligibility Check:

HawaiiVALoans.com/condo-check



facebook.com/hawaiivaloans

3. Narrow Down List of Properties: Based on the loan amount you are prequalified for, your Real Estate Agent will email you a list of properties that fit your specific criteria. From that list, you'll need to narrow it down to a select few so that your Real Estate Agent can schedule a showing with the seller's agent. Keep in mind that not all condominiums are eligible for VA financing, so if you are thinking of purchasing a condo, use our Condo Eligibility tool to see if your particular condo is approved for VA financing.

4. View Properties: Once you have narrowed down the list, it is time to see the properties for yourself. This is where you can really decide which home will be the best fit for you and your family.

5. Submit an Offer: Once you've decided which house you would like to purchase, your Real Estate Agent will draft up an offer which will be accompanied by a prequalification letter from your VA Loan Specialist.

6. Your VA Homebuyers Team will do the Rest: Once the offer is accepted, sit back and relax as your VA Loan Specialist, Real Estate Agent & Escrow Officer handle the nuances of your purchase transaction. The process typically takes 30-45 days. After which, you will come in and sign the final loan documents. When this is complete, you will receive your keys and officially become a homeowner. It is really that simple!

CONCLUSION



As an Active Service Member or Veteran, you deserve the right to become a homeowner. With the help of the VA Guaranteed Home Loan Program and Hawaii VA Loans, you can achieve your dreams of homeownership! Contact a VA Loan Specialist to get started today!

About Hawaii VA Loans

Hawaii VA Loans, a division of Land Home Financial Services, is the leading resource center for VA Loan information for the State of Hawaii. Specializing in VA Home Loan lending, Hawaii VA Loans has the necessary people and resources to guide you through every step of the VA approval process. With VA Loan Specialists right here in Hawaii ready to assist you, getting approved for a VA Guaranteed Home Loan has never been easier.

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HawaiiVA Loans

Helping Veterans Become Homeowners