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VA Loans Are Opening Homeownership Doors for More Veterans

Military personnel looking for financing in today's mortgage environment can take advantage of the VA loan program, which has been available for more than six decades to help members of the military own their own homes. The program, established in 1944 as part of the Servicemen's Readjustment Act, is available for any individual who has served in active duty in any branch of the U.S. military for a minimum of 90 days.

"The beauty of this loan is that it allows financing without requiring a down payment," said Eric Kandell, founder of lowvarates.com. "It also doesn't allow the mortgage lender to charge the veteran private mortgage insurance."

A VA loan requires the borrower to pay a one-time funding fee on their purchase, which can be paid up-front or financed into the total cost of the loan. The funding fee for regular military members is 2.15% of the loan. Reservists pay a fee of 2.40%.

Non-active duty personnel, such as individuals in the Army Reserves or National Guard, may apply for a VA-backed mortgage provided they have completed six years of service. Spouses of deceased or missing military members are also eligible if they have not remarried. Those who were dishonorably discharged from any military branch are not eligible.

"I've closed more VA loans in the past two years than in the past decade," said Steve Thorne, area manager for First Financial Services, Inc. in Raleigh, N.C. "It really is a great benefit to the veteran in the 'New Mortgage World.' The key to getting more veterans to take advantage of this benefit is simply an awareness of the benefit."

The Department of Veteran's Affairs states that roughly 25 million people are eligible for a VA loan yet only 10%-15% of those have taken advantage of it when buying or refinancing. For many years, leading up to the mortgage crisis there were many conventional mortgage products that were easier or more economical to the veteran than the VA loan. "In the wild, wild west of mortgage lending from the early 2000s to 2008, 100% financing was common," Thorne said. "So why pay the VA funding fee just to have 100 percent financing?"

Today, veterans remain in the dark about VA loan benefits or that the program even exists. Kandell said, "that will change as word spreads about how this program can help Vets in today's market."

Talk to a mortgage representative for more on VA financing.