

HOME

What You Need to Know about a VA Loan

NewsUSA



(NU) - Current members of our nation's military, as well as veterans, can take advantage of their VA benefits when buying a home, but it is important for potential homebuyers to understand the terms of these loans.

Freedom Mortgage, the premier VA lender in the United States, offers tips and advice for service members and veterans to ensure a successful homebuying experience.

1. Have some cash on hand. Although a VA loan requires no down payment, sellers may not cover closing costs in today's competitive real estate market, so it is best to budget for some funds when you schedule your closing.

Closing costs can range from 3% to 5% of the home price. This includes the VA funding fee, which can be as high as 3.6% of the loan amount, although the VA funding fee is waived for Purple Heart recipients and disabled veterans.

2. Have proof of income. Proof of income is required for a VA loan, so active service members will need to have a job lined up after discharge.

Also, obtain a loan pre-approval letter (rather than a pre-qualification letter), which will show that your credit and income have been professionally reviewed and that you are a qualified buyer.

3. Have options. Shop around and compare a VA loan to other loan options to see which is a better deal for you. Most importantly, don't overextend yourself and buy a more expensive home than you can currently afford.

If the rate is relatively low and

you are comfortable making the monthly payments, you have a good deal.

4. Have good credit. Visit annualcreditreport.com, a legitimate website used by the three major consumer credit reporting agencies and get a free credit report.

The median credit score is a little above 700 and if your score is lower, you may pay a higher interest rate or higher costs. Some additional tips include:

- Veterans who are current homeowners should take the opportunity now to refinance to a lower rate; check out VA IRRRL streamline refinances for veterans.

For more information on buying a home or improving your credit score, click here.

- Disabled veterans have additional benefits from a VA loan, as they are exempt from the VA funding fee.

- Current homeowners considering cash-out loans can consider a conventional loan. VA loans have a funding fee of up to 3.6%, but that may be a better deal than the high interest rates of other loans.

- Last, don't forget to request a Loan Estimate, or "LE," from lenders when shopping around for the best mortgage. The LE will outline all relevant program details and costs that you can expect at closing.

Note: these are general information, each loan is unique and customized to the borrower. Call 833-687-1212 to speak with an experienced Freedom Mortgage loan officer who can answer questions and provide more information based on your needs.