

ASCEND

VA HOME LENDING EDUCATION

The VA Loan Playbook

A Complete Guide to Understanding Your VA Home Loan Benefit

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THE VA LOAN PLAYBOOK

Inside the Playbook

Use this guide as a practical reference to understand the VA home loan benefit, the rules behind it, and the questions worth asking before you buy, build, or refinance.

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Educational resource. Program rules, funding fees, loan limits, lender overlays, and other requirements can change. Verify current requirements before making a financing decision.

If you served in the United States military, you earned one of the most powerful homebuying benefits ever created. The VA home loan lets eligible veterans, active-duty service members, and certain surviving spouses buy a home with no down payment, no monthly mortgage insurance, and interest rates that are often lower than what conventional borrowers can get. It is not a handout. It is part of your compensation for service, written into federal law and backed by the Department of Veterans Affairs.

And yet most veterans do not use it the way they could. Some assume they cannot qualify. Some were told by a well-meaning friend that VA loans are slow or that sellers will not accept them. Some used the benefit once, years ago, and assume it is gone for good. Almost all of that is wrong, and this guide exists to replace the rumors with the actual rules.

Every claim in this guide traces back to the same source your lender uses: the VA Lenders Handbook, officially known as VA Pamphlet 26-7. It is the rulebook the Department of Veterans Affairs wrote for the lenders who originate VA loans, and it covers everything from who is eligible to how appraisals work to exactly what fees you can and cannot be charged. When a loan officer tells you something about a VA loan, that rule came from one of the handbook's chapters. Knowing the source matters, because it lets you tell the difference between an actual VA requirement and a rule your particular lender added on top. Lenders are allowed to add their own stricter requirements, which the industry calls overlays, but they are never allowed to go looser than what the handbook says. You can read the official handbook yourself through the VA's knowledge base at benefits.va.gov/WARMS/pam26_7.asp, and a plain-English map of all eighteen chapters is available at vettedva.com/va-lender-handbook-26-7 (a private site not affiliated with the VA, but useful for finding your way around the official text).

This guide walks through the program the way an experienced VA lender thinks about it: what the loan really is, who qualifies, how much you can borrow, what it costs, how approval works, what the appraisal checks, and how refinancing and special situations fit in. Along the way, each section points to the handbook chapter where the rule lives, so you can verify anything here against the source. Let us start with the foundation, because misunderstanding this one point causes more confusion than anything else in the program.

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What a VA Loan Actually Is

A VA loan is not a loan from the VA. The Department of Veterans Affairs does not hand you the money, set your interest rate, or collect your monthly payment. Your loan comes from a private lender, a bank, credit union, or mortgage company, exactly like a conventional or FHA loan. What the VA does is guarantee a portion of that loan to the lender. If you ever defaulted and the lender lost money, the VA would cover its guaranteed share of the loss. That guaranty is the entire engine of the program. Because the lender's risk is reduced, the lender can offer you terms it would never offer an unprotected borrower: zero down payment, no monthly mortgage insurance, and competitive rates. The guaranty is described in Chapter 3 of the handbook, which covers the VA loan and the guaranty in full.

The size of the guaranty is what determines how much you can borrow without a down payment. For most loans, the VA guarantees 25 percent of the loan amount. Lenders pair that with their standard requirement that the total guaranty plus any down payment cover at least 25 percent of the loan, which is why a veteran with full entitlement can borrow up to the county loan limit with nothing down. The guaranty is not insurance you pay for each month. It is a one-time federal backing, funded in part by the VA funding fee you will read about later, and it costs you

nothing on a monthly basis. There is no monthly mortgage insurance premium on a VA loan, ever, no matter how little you put down. That single fact saves the typical buyer hundreds of dollars a month compared with a low-down-payment conventional loan.

It also helps to know what the VA loan is not. It is not a one-time benefit. You can use it again and again throughout your life, and many veterans do. It is not only for first-time buyers. It is not only for cheap houses. And it is not a subprime product for borrowers who cannot qualify otherwise. The VA's underwriting standards, especially the residual income test you will meet later in this guide, are in some ways stricter and more thoughtful than conventional guidelines, because they were designed around the real lives of military families rather than around an investor's risk model.

One more foundational point. Because the guaranty comes from the federal government, the rules are national and uniform. A VA loan in Georgia follows the same handbook as a VA loan in California. What changes by location is the county loan limit, which caps how much you can borrow with zero down when you do not have full entitlement, and the VA's regional appraisal fee schedules. Everything else, the funding fee, the occupancy rule, the appraisal standards, the underwriting framework, is the same everywhere. That uniformity is your protection. If a lender tells you that VA requires something that sounds unusual, you can check the handbook and find out whether it is a real VA rule or that lender's own overlay.

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Who Is Eligible and How You Prove It

Eligibility for the VA home loan benefit is based on your service, and the specific requirements are laid out in Chapter 2 of the handbook. For most veterans, the thresholds are straightforward. If you served on active duty during wartime, you generally need at least 90 consecutive days of service. If you served during peacetime, the requirement is generally 181 days of continuous active-duty service. Members of the National Guard and Reserves generally become eligible after six years of service, unless they were called to active duty under federal orders, in which case the active-duty thresholds can apply. Service members currently on active duty are generally eligible after 90 days of continuous service. These are the headline rules, and the handbook contains the detailed tables covering every service era, including the exact wartime and peacetime date ranges, because the character of your discharge matters too. In general, you must have been discharged under conditions other than dishonorable.

Surviving spouses have their own path to eligibility, and it is one of the least understood parts of the program. An unmarried surviving spouse of a veteran who died in service or from a service-connected disability is generally eligible. So is the spouse of a service member who is missing in action or a prisoner of war. A surviving spouse who remarries generally loses eligibility, with an important exception: remarriage after age 57 does not terminate it. If you are a surviving spouse wondering whether you qualify, the answer is very often yes, and it costs nothing to request the determination.

Proving eligibility means obtaining your Certificate of Eligibility, universally called the COE. The COE is the VA's official statement that you are entitled to the benefit, and your lender cannot close a VA loan without it. The good news is that getting one is usually fast. Most lenders can pull your COE in minutes through the VA's WebLGY system while you are sitting at their desk or on the phone. You can also request it yourself through va.gov, and the traditional paper route is VA Form 26-1880 mailed to the VA. Chapter 2 of the handbook walks lenders through the COE process, including what to do when the automated system cannot issue the certificate immediately and a manual determination is needed.

Your COE contains more than a yes or no. It shows your entitlement amounts, whether you have used the benefit before, and critically, whether you are exempt from the VA funding fee. That exemption line is worth real money, as you will see, so when your COE arrives, read the funding fee field before anything else. If you believe you should be exempt and the COE says otherwise, raise it with your lender immediately, because the exemption can sometimes be corrected before closing, and even after closing there are circumstances where an overpaid fee can be refunded.

A final eligibility note that surprises many people: you do not have to be a first-time buyer, you do not have to be buying your first home, and you do not have to have perfect credit. The handbook sets no minimum credit score. None. If a lender tells you VA requires a 620 or 640 score, that is the lender's overlay, not a VA rule. Plenty of VA-approved lenders will work with lower scores, and the handbook's underwriting chapter gives them the framework to do it. We will come back to this when we talk about qualifying.

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Entitlement: How Much the VA Backs, and How Much You Can Borrow

Entitlement is the dollar amount of the VA's guaranty that is available to you, and it is the concept that determines your maximum no-down-payment loan. It is also the concept veterans misunderstand most, so it is worth taking slowly. Chapter 2 of the handbook covers entitlement in detail, and everything in this section comes from those pages.

Every eligible veteran starts with what the handbook calls basic entitlement: $36,000. On its own, that $36,000 supports a loan of up to $144,000 with no down payment, because lenders want guaranty coverage of 25 percent of the loan, and $36,000 is exactly 25 percent of $144,000. But very few veterans are limited to basic entitlement. The program also provides what is often called bonus or secondary entitlement, which together with basic entitlement brings a veteran's total guaranty to 25 percent of the county loan limit. This combined amount is what lenders mean when they say full entitlement.

Here is why that matters. For 2026, the baseline conforming loan limit set by the Federal Housing Finance Agency is $832,750 in most counties, rising to $1,249,125 in designated high-cost areas. A veteran with full entitlement can therefore buy a home up to the full county limit, $832,750 in most places, with zero down payment.

The VA guarantees 25 percent of the loan, the lender is fully covered at its required 25 percent threshold, and no down payment is required. Since the Blue Water Navy Vietnam Veterans Act took effect in 2020, there is effectively no VA-imposed maximum loan amount for veterans with full entitlement; if you have full entitlement and the lender approves you for the payment, the county limit no longer caps you. Borrowers with remaining entitlement, meaning part of their entitlement is tied up in another property, are still subject to the county limits, which we will get to in a moment.

So when does a veteran not have full entitlement? The common situations are these. You have an active VA loan on another property and have not paid it off. You paid off a previous VA loan but still own the property. You refinanced a VA loan into a non-VA loan but still own the home, which leaves the original entitlement tied up. Or you had a foreclosure, short sale, or deed-in-lieu on a VA loan and did not repay the VA's loss in full. In any of these cases, the entitlement used on the old loan is subtracted from your total, and what is left is your remaining entitlement.

The math for remaining entitlement works like this. The VA will guarantee 25 percent of the county loan limit, minus the entitlement you have already used. Suppose your county limit is $832,750. Twenty-five percent of that is $208,188. If you have $50,000 of entitlement tied up in a previous loan, your remaining guaranty is $158,188. Most lenders will then lend up to four times the available guaranty with no down payment, which in this example is $632,752. If you want to borrow more than that, you make a down payment, and the handbook gives lenders a straightforward formula: the down payment is generally 25 percent of the amount by which the purchase price exceeds the maximum no-down-payment loan. This is Chapter 2's remaining-entitlement calculation, and any experienced VA lender can run it in about a minute.

Now the part many veterans miss: entitlement can be restored. If you sell the home and pay off the VA loan in full, your entitlement is generally restored in full, and you are back to a clean slate. You can also apply for what the handbook calls a one-time restoration of entitlement. This lets you keep the home you bought with a VA loan, say it becomes a rental or a family member lives there, and still restore your full entitlement for a new purchase, provided you have paid that original loan in full. The one-time restoration can only be used once, so veterans usually save it for the right move, but it exists precisely for the situation where your life outgrows your first VA-financed home and you are not ready to sell it.

A special case worth knowing: if your previous VA loan ended in foreclosure or short sale and the VA took a loss, that loss is charged against your entitlement until you repay it. Repaying the VA in full restores the entitlement. Many veterans who went through a difficult period years ago do not realize the path back is this mechanical. It is not a judgment call. It is arithmetic, and Chapter 2 lays out exactly how it works.

Two veterans buying together get their own treatment in Chapter 7 of the handbook, which covers joint loans. When two eligible veterans buy together, each one's entitlement is charged, and the guaranty can be split between them. A veteran buying with a non-veteran spouse is the most common joint scenario and works normally, with the veteran's entitlement supporting the loan. A veteran buying with someone who is not a spouse and not a veteran is possible but gets complicated, because the guaranty only covers the veteran's portion of the loan and the lender must absorb any loss on the non-veteran's share. Your lender should walk through the entitlement charge with you before you make an offer, because the numbers determine your down payment.

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The VA Funding Fee: What It Is, What It Costs, and Who Does Not Pay It

The VA funding fee is the one cost of a VA loan that surprises people, and it deserves a full explanation, because it is also one of the most misunderstood. The fee exists for a simple reason stated plainly in Chapter 8 of the handbook: to defray the cost of administering the VA home loan program. It is not lender profit. It is not a junk fee. It is the mechanism that keeps the program running for future veterans without relying entirely on taxpayers, and Congress sets the rates by law. You pay it once, at closing, as a percentage of the loan amount, not the purchase price. The current rate schedule took effect for loans closing on or after April 7, 2023, and the VA publishes it on its official funding fee page at va.gov/housing-assistance/home-loans/funding-fee-and-closing-costs.

For purchase and construction loans, the fee depends on two things: whether this is your first use of the VA benefit, and how much you put down. On a first use with less than 5 percent down, which includes the classic zero-down VA purchase, the fee is 2.15 percent of the loan amount. Put down 5 percent or more and it drops to 1.5 percent. Put down 10 percent or more and it drops to 1.25 percent. On a subsequent use, meaning you have used

the benefit before, the fee with less than 5 percent down is 3.3 percent, while the 5 percent and 10 percent tiers stay at 1.5 and 1.25 percent. To make that concrete: on a $300,000 loan with zero down, a first-time user pays $6,450 and a subsequent user pays $9,900. That is real money, which is why the exemptions below matter so much.

Refinance loans have their own schedule. The Interest Rate Reduction Refinance Loan, the VA's streamline refinance, carries a fee of just 0.5 percent. A cash-out refinance uses the purchase schedule without down payment tiers: 2.15 percent for first use, 3.3 percent for subsequent use. A loan assumption carries 0.5 percent. A manufactured home loan where the home is not permanently affixed to a foundation carries 1 percent. The Native American Direct Loan program has its own lower schedule. None of these refinance and specialty fees change with down payment, because there is no down payment on a refinance.

Now the exemptions, because a large share of borrowers never pays the fee at all. You are exempt if you receive VA compensation for a service-connected disability, at any rating level. You are exempt if you would be entitled to that compensation but receive retirement pay or active-duty pay instead. You are exempt if you have a pre-discharge disability rating from a Department of Defense examination. Active-duty service members who received the Purple Heart are exempt. And surviving spouses receiving Dependency and Indemnity Compensation are exempt. Your COE states your exemption status, and the lender is required to honor it.

Two timing rules on exemptions are worth knowing. First, if your disability claim is still pending when you apply, tell your lender. A rating finalized before closing can waive the fee entirely. Second, if you paid the fee and your disability rating later comes through with an effective date before your closing date, you can request a refund from the VA. Veterans leave money on the table here every year by not following up, so if this is your situation, pursue it.

If you do owe the fee, you have choices about how to handle it. You can pay it in cash at closing, or you can finance it into the loan amount, which is what most borrowers do. Financing it means you pay interest on it over the life of the loan, but it preserves your cash, and on a zero-down purchase that is often the right tradeoff. The handbook expressly permits the loan amount to exceed the purchase price by the amount of the funding fee. Note that the fee is calculated on the loan amount before the fee itself is added, a small detail that keeps the math clean.

How does the funding fee compare with what you would pay on other loan types? On a conventional loan with less than 20 percent down, you would pay private mortgage insurance every month, often $150 to $300 or more, until you build enough equity to drop it. On an FHA loan, you would pay an upfront mortgage insurance premium of 1.75 percent plus monthly mortgage insurance for the life of the loan in most cases. The VA funding fee is a one-time charge with no monthly component. For most buyers, especially those putting little or nothing down, the VA structure wins by a wide margin, and for exempt veterans there is genuinely no comparison.

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What a VA Loan Really Costs: Down Payment, Insurance, and Allowable Fees

Beyond the funding fee, the cost structure of a VA loan is one of its greatest strengths, and Chapter 8 of the handbook is where the VA polices it aggressively. The headline is the down payment: VA requires no down payment when the purchase price does not exceed the reasonable value of the property as determined by the VA appraisal, and you have sufficient entitlement. Reasonable value is the VA's term for what the appraisal says the

home is worth, and it is announced to everyone through the Notice of Value. If the price is at or below the appraised value, zero down is not a promotion or a special program. It is the default.

The second headline is mortgage insurance, or rather the absence of it. Conventional borrowers who put down less than 20 percent pay private mortgage insurance every month. FHA borrowers pay mortgage insurance upfront and monthly. VA borrowers pay nothing monthly, regardless of down payment. On a $300,000 purchase with zero down, the monthly PMI on a conventional loan could easily run $150 to $250. The VA borrower keeps that money. Over the first five years of the loan, that difference alone can exceed $10,000, which is why the no-PMI feature often matters more to a family's monthly budget than the interest rate does.

The handbook also caps what lenders can charge you, which is consumer protection most borrowers never know they have. The lender may charge a flat origination fee of up to 1 percent of the loan amount, and that 1 percent is intended to cover all of the lender's costs of making the loan. Certain itemized fees, things like the VA appraisal fee, the credit report, recording fees, and a survey if required, can be charged in addition. But the lender cannot stack a 1 percent origination fee on top of a pile of junk processing and underwriting fees. Discount points, which are optional fees you pay to buy down your interest rate, are separate from the origination fee and are always your choice. Chapter 8 lists exactly which charges are allowable and which are not, and it prohibits the lender from charging you for things like the lender's attorney fees or the cost of the lender's own overhead.

Sellers can help with your costs too, and the VA's rules here are generous. The seller can pay all of your normal closing costs, the customary things like title fees and recording charges, without limit. On top of that, the seller can contribute up to 4 percent of the reasonable value toward your prepaid expenses and other costs, a category the handbook calls seller concessions. That 4 percent can cover your funding fee, your prepaid taxes and insurance, and discount points. Between normal seller-paid closing costs, the 4 percent concession allowance, and the ability to finance the funding fee into the loan, it is entirely possible for a veteran to close on a VA loan with very little cash out of pocket. Your real estate agent's negotiation of seller concessions is therefore a meaningful part of your financing strategy, not an afterthought.

One cost the VA will not let you pay: a prepayment penalty. VA loans cannot include prepayment penalties, period. You can pay extra every month, make lump-sum payments, or refinance whenever it makes sense, and no one can charge you for the privilege. In a market where rates move, that freedom has real value.

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How VA Decides You Qualify: Credit, Income, and Residual Income

VA underwriting is covered in Chapter 4 of the handbook, and it reflects a philosophy worth understanding. Where conventional underwriting leans heavily on a credit score and a debt-to-income ratio, VA underwriting asks a more practical question: after you pay your mortgage, your debts, and your taxes, will your family have enough money left each month to live on? That question is answered by the residual income test, and it is the single most distinctive feature of VA qualifying.

Start with credit. As noted earlier, the VA sets no minimum credit score. Your lender will pull your credit and review it, and the handbook requires the lender to look for a satisfactory repayment history and to analyze any derogatory credit, but there is no score below which the VA says no. Lenders impose their own minimums, commonly 620, and those overlays are the lender's business decision, not a VA rule. If your score is below a

lender's cutoff, another VA-approved lender may still approve you, because the handbook gives them room to do so. What the underwriter is really looking for is the story: stable recent payment history matters more than an old blemish, and the handbook specifically instructs lenders to disregard medical collections and charged-off medical accounts when evaluating creditworthiness.

On non-medical collections, the rules were clarified by recent handbook changes, including a 2026 correction that changed the math meaningfully. If you have non-medical collection accounts with no established payment arrangement, the lender calculates a monthly obligation as 5 percent of the outstanding balance divided by 12, and counts that in your debts. Before the correction, some lenders were counting the full 5 percent as a monthly amount, which overstated the debt twelvefold and killed otherwise qualified applications. If you have a payment arrangement in place, the lender uses the arranged payment. And if a collection is already reflected in your debts or has been paid, it is handled accordingly. The practical takeaway: unpaid collections do not automatically disqualify you, and the current calculation is far more forgiving than many borrowers fear.

Income analysis follows the handbook's stable-and-adequate standard. The lender must verify that your income is stable, meaning likely to continue, and adequate in amount. Two years of employment history is the general expectation, but the handbook is flexible about military life: service members with less than twelve months on the job can still qualify with a strong explanation, and the lender is told to consider the realities of military employment, including separation and the transition to civilian work. Overtime, bonuses, commissions, and part-time income can count when there is a two-year history of receiving them. For self-employed borrowers, the handbook requires the standard two years of tax returns and applies additional scrutiny, which surprises no one who has been through it.

Then comes residual income, the test that sets VA apart. After subtracting your proposed housing payment, installment debts, estimated taxes, and other obligations from your gross monthly income, the remainder must meet the VA's threshold for your region and family size. The handbook publishes tables for four regions, Northeast, Midwest, South, and West, cross-referenced by loan amount and number of dependents. For illustration, a family of four in the South borrowing over $80,000 needs roughly $1,025 in monthly residual income under the current table. These figures are not arbitrary. They were derived from consumer expenditure data and are meant to represent what a family actually needs for food, transportation, healthcare, and everything else. A borrower can have an acceptable debt-to-income ratio and still fail residual income, or fail the ratio and pass residual income with compensating factors. The two tests work together, and the handbook instructs underwriters to weigh them as a pair rather than treating either as an automatic verdict.

The debt-to-income ratio itself gets VA-specific treatment. The handbook's general guideline is 41 percent, but it is explicitly a guideline, not a ceiling. Borrowers above 41 percent are approved every day when compensating factors exist: strong residual income, minimal consumer debt, a history of living well within their means, or significant liquid assets. This is another place where the handbook's philosophy shows. It trusts underwriters to evaluate the whole borrower rather than sorting by a single number, and it says so directly in Chapter 4.

A few practical notes before we move on. The VA expects you to occupy the home as your primary residence, generally within 60 days of closing, and you will certify that intent at closing. A spouse can satisfy the occupancy requirement in some situations, such as when the service member is deployed. The property must be your home, not an investment property or a vacation home. And while the VA does not require cash reserves the way some conventional programs effectively do, having reserves is a recognized compensating factor that can strengthen a borderline application.

The VA Appraisal and Minimum Property Requirements

The VA appraisal has a reputation it does not deserve. Ask around and you will hear that VA appraisals are stricter, slower, and more likely to kill a deal. The truth is more interesting: the VA appraisal is doing two jobs at once, and understanding both jobs removes the fear. Chapter 12 of the handbook governs the appraisal process, and Chapter 13 covers the Notice of Value that follows it.

Job one is the same as any appraisal: determine the reasonable value of the property, which is the VA's term for market value. The appraiser must be assigned by the VA through its system, not chosen by the lender, which is a deliberate safeguard for independence. The lender requests the appraisal, the VA assigns a VA-approved appraiser from its panel, and the appraiser inspects the property and delivers an opinion of value. That value is announced in the Notice of Value, the NOV, which states the maximum loan amount VA will support on that property. The NOV is generally valid for 180 days, which gives everyone room to get to closing without rushing.

Job two is where the VA appraisal differs: the appraiser also checks the property against the VA's Minimum Property Requirements, the MPRs. These are not cosmetic standards and they are not a home inspection, though borrowers often confuse them. The MPRs are a health, safety, and soundness checklist. The property must have adequate roofing with reasonable future life, safe mechanical systems, adequate heating, safe electrical, drinkable water, a working sewage disposal system, and no evidence of wood-destroying insects or structural problems. Peeling paint on a pre-1978 home is flagged because of lead paint risk. A handrail may be required on steps. These requirements exist because the VA is guaranteeing the loan and has a legitimate interest in the collateral being sound, and because the veteran moving in deserves a safe home.

When the appraiser finds MPR issues, the deal does not automatically die. The NOV lists the required repairs, and the parties negotiate who does them. Often the seller completes the repairs before closing, which is common and unremarkable. Sometimes the lender escrows for repairs to be completed after closing. Sometimes the veteran chooses a different property. What the MPRs prevent is a veteran unknowingly buying a home with a failing roof or a compromised foundation, which is protection, not punishment. Experienced listing agents in military-heavy markets know the MPRs well and prepare their sellers accordingly, which is one more reason your agent's familiarity with VA transactions matters.

The appraisal also has a built-in fairness mechanism called Tidewater. If the appraiser believes the value is going to come in below the purchase price, the appraiser notifies the lender before finalizing the report, and the lender has two business days to submit additional comparable sales or information for consideration. No other major loan program gives the parties this formal opportunity to make their case before the value is set. It does not guarantee a higher value, but it guarantees a fair hearing, and it has saved countless transactions.

If the appraised value still comes in below the purchase price, you have options. The seller can reduce the price to the appraised value. You can pay the difference in cash, though you cannot finance that gap into the VA loan. The parties can split the difference. Or you can walk away, and this is important: your VA contract should include an appraisal contingency, and the VA even provides an escape clause, the VA amendatory clause, which you will sign at closing. It states that you are not obligated to complete the purchase if the appraised value comes in below the contract price. Make sure it is in your contract. It is one of the strongest buyer protections in American real estate.

A related appraisal topic is the treatment of condominiums. VA will only guarantee a loan on a condo in a project that is on the VA's approved condominium list, or that goes through the approval process. Chapter 11 of the handbook covers appraisals of condominiums and planned unit developments. If you are buying a condo, check the VA's approved list early, because project approval can take time and you do not want to discover the issue a week before closing.

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From Preapproval to Closing: The Process Step by Step

With the rules understood, here is how a VA purchase actually moves from first conversation to keys in hand. Chapter 5 of the handbook covers how lenders process VA loans and submit them to VA, and the borrower's journey follows a predictable path.

It starts with the conversation and the COE. You talk to a VA-experienced loan officer, discuss your goals, and the lender pulls your Certificate of Eligibility, usually in minutes. This is also when the lender runs your entitlement calculation, so you know before you shop whether you have full entitlement or remaining entitlement, and therefore what your maximum zero-down price looks like. Getting this math done before you fall in love with a house prevents the most painful kind of disappointment.

Next comes preapproval, which on a VA loan means full underwriting review of your income, assets, credit, and debts against Chapter 4's standards, including the residual income test. A real preapproval, not a prequalification based on stated numbers, is what makes your offer credible, especially in competitive markets where some sellers still carry outdated suspicions about VA offers. Your preapproval letter should state that it is for VA financing, and your agent should be prepared to educate the listing side that a VA preapproval from a competent lender is every bit as solid as a conventional one.

Then you shop, offer, and go under contract. Your contract needs the VA-required clauses, including the amendatory clause discussed above and the VA's notice about the appraisal. Your agent orders the inspections you want, a general home inspection is strongly recommended even though the VA appraisal is not an inspection, and the lender orders the VA appraisal through the VA's assignment system. The appraisal comes back with the NOV, MPR repairs are negotiated if any are required, and the loan moves into final underwriting.

Underwriting on a VA loan follows one of two tracks. Most lenders have VA automatic authority, called LAPP, which means their own VA-approved underwriters can approve the loan without sending it to the VA. Some loans go to the VA's Regional Loan Center for prior approval. Either way, the standards are the handbook's standards. The underwriter verifies everything, clears conditions, and issues the clear to close. Chapter 5 details exactly what the lender must submit to VA and when, including the Loan Guaranty Certificate that evidences the VA's backing.

At closing, you will sign the standard mountain of documents plus a few VA-specific ones: the certification of occupancy intent, the VA amendatory clause acknowledgment, and the funding fee receipt or exemption documentation. The funding fee, if you owe one and are not paying cash, is financed into the loan at this point. After closing, the lender reports the loan to VA and requests the guaranty, and your entitlement is charged accordingly. The whole timeline, from contract to closing, typically runs 30 to 45 days, comparable to conventional loans. The persistent myth that VA loans take dramatically longer dates from an era of paper processing that no longer exists.

Two closing-cost realities deserve emphasis. First, the seller's concessions and the lender's fee caps we covered earlier mean your cash to close on a VA loan is frequently lower than buyers expect, sometimes dramatically so. Second, your first mortgage payment is typically due on the first of the second month after closing, and the interest is collected in arrears, so a late-month closing can reduce your prepaid interest. These are small optimizations, but on a tight budget they matter, and a good loan officer will time your closing with them in mind.

VA LOAN PLAYBOOK

Refinancing With VA: The Streamline and the Cash-Out

VA's refinance options are covered in Chapter 6 of the handbook, and they include one of the simplest refinance products in the mortgage industry. There are two distinct loans, and they serve completely different purposes.

The Interest Rate Reduction Refinance Loan, universally called the IRRRL or the VA streamline, exists for one purpose: to improve the terms of an existing VA loan. You must already have a VA loan to get one. The handbook requires the refinance to produce a net tangible benefit, which generally means a lower interest rate, a lower monthly payment, or moving from an adjustable rate to a fixed rate. The product's beauty is its simplicity. The VA generally does not require an appraisal, does not require income or employment verification, and does not require a new COE, because the VA already guaranteed the original loan and your entitlement is already in the picture. Many lenders still check credit as an overlay, but the handbook's baseline is minimal documentation. The funding fee is only 0.5 percent, and no cash may be taken out beyond minimal allowable amounts. There are seasoning requirements: generally at least 210 days from the first payment due date of the original loan and at least six monthly payments made, which prevents churning. If rates have dropped meaningfully since you bought, the IRRRL is usually the cheapest refinance available in American lending.

The cash-out refinance is the other path, and it is a full underwriting event. You can refinance a VA loan or a non-VA loan, conventional, FHA, or USDA, into a new VA loan, and you can take cash out of your equity. The VA permits cash-out loans up to 100 percent of the property's reasonable value, though many lenders impose their own lower caps as overlays, commonly 90 percent, so ask your lender where they stand. A full VA appraisal is required, income and debts are fully documented including the residual income test, and the funding fee follows the purchase schedule without down payment tiers: 2.15 percent for first use, 3.3 percent for subsequent use. The cash-out refinance is how many veterans consolidate higher-interest debt, fund home improvements, or move an FHA loan with its permanent monthly mortgage insurance into a VA loan with none. Because it is fully underwritten, expect a process much like a purchase loan, minus the real estate agent.

One warning the handbook era has made necessary: both products attract aggressive marketing, especially the IRRRL, where some lenders solicit veterans with promises that obscure the true costs. The VA's net tangible benefit rule is your shield. Before any refinance, calculate your break-even point: total closing costs divided by monthly savings equals the months until the refinance pays for itself. If you are likely to sell or refinance again before that point, the refinance is costing you money regardless of how attractive the new rate sounds. A trustworthy loan officer will do this math with you unprompted.

VA LOAN PLAYBOOK

Special Situations Worth Knowing

Several less common VA loan scenarios each get their own chapter of the handbook, and at least one of them may be exactly your situation.

Construction loans are covered in Chapter 7, and they include the product many veterans dream about: the VA one-time close construction loan, where a single closing covers both the construction phase and the permanent mortgage. You do not pay the funding fee twice or close twice. The builder must be registered with the VA, the plans and specifications are reviewed, inspections happen at construction milestones, and the permanent loan terms are locked from the start. Because relatively few lenders offer the one-time close, finding an experienced one matters more here than anywhere else in the program. The two-close alternative, a construction loan followed by a separate VA permanent loan, is more widely available but means two sets of closing costs. If building is your goal, interview lenders specifically on their construction experience before you interview builders.

Manufactured homes are covered in Chapter 10. VA will finance manufactured homes, including the lot, with the funding fee schedule noting a 1 percent fee for manufactured home loans where the unit is not permanently affixed to a foundation. Permanently affixed units on owned land are treated more like traditional homes. The property standards are specific and the dealer and installation requirements are real, so this is another corner of the program where lender experience is decisive.

Loan assumptions deserve attention in any market with elevated rates. VA loans are generally assumable, meaning a qualified buyer can take over your existing VA loan at its existing interest rate, with VA and servicer approval. Chapter 5 of the handbook covers how assumptions are processed. For the seller, the critical detail is the release of liability: you want the VA's formal release so the loan no longer counts against your entitlement. For the buyer, an assumption can mean stepping into a rate from years ago that no new loan can match. In high-rate environments, a listed home with an assumable low-rate VA loan is a genuine marketing advantage, and buyers are increasingly shopping for it.

A few more situations the handbook anticipates. Energy-efficient improvements of up to $6,000 can be included in the loan amount above the appraised value. The Native American Direct Loan program serves Native American veterans buying on federal trust land, where traditional lending does not reach. Grants for Specially Adapted Housing help severely disabled veterans modify homes for accessibility, a benefit entirely separate from the loan guaranty. And veterans who already own a home can use a VA loan to buy a new primary residence while keeping the old one, subject to the remaining-entitlement math from earlier. The program's designers thought in terms of entire military lives, not single transactions, and the handbook's eighteen chapters reflect that.

VA LOAN PLAYBOOK

Ten Myths That Cost Veterans Money

Myths about the VA loan are stubborn because they contain grains of outdated truth. Here is the current reality on the ten most expensive ones. VA loans take forever to close. Modern processing runs 30 to 45 days, comparable to conventional. Sellers will not accept VA offers. Informed listing agents accept them routinely; the VA amendatory clause and Tidewater process protect the transaction. You need perfect credit. The VA sets no minimum score. You can only use it once. You can use it repeatedly for life, with restoration rules that are pure arithmetic. There is a VA-imposed maximum loan amount. With full entitlement, there effectively is not one since 2020. VA appraisals always come in low. They come in at market value, with a formal process for submitting additional comparables before the value is finalized. The funding fee makes it a bad deal. It is a one-time fee with no monthly component, usually far cheaper than years of mortgage insurance, and many borrowers are exempt entirely. You cannot

refinance a VA loan. The IRRRL is among the simplest refinances in lending. A foreclosure on a VA loan ruins you forever. Entitlement can be restored by repaying the VA's loss. You must be a first- time buyer. Repeat buyers are welcome. And finally, the VA loan is only for starter homes. With full entitlement supporting loans up to and beyond the conforming limit, it finances family homes in expensive markets every day.

VA LOAN PLAYBOOK

Questions to Ask Before You Choose a VA Lender

Not every lender handles VA loans with equal skill, and the handbook gives you a way to tell the difference. Because the rules are published, you can ask direct questions and judge the answers. Start with experience: how many VA loans did you close last year, and do your underwriters hold VA automatic authority? A lender whose team lives in Chapters 4 and 5 will move faster and stumble less than one that treats VA as an occasional product. Ask about overlays plainly. What is your minimum credit score for VA loans, and what is your cap on cash-out refinances? The answers reveal where the lender's own rules sit on top of the VA's, and they vary widely, so shopping two or three lenders is not disloyalty, it is diligence.

Ask how the lender handles the appraisal process, including Tidewater notifications and MPR repair negotiations, because this is where inexperienced lenders fumble transactions that should close. Ask who on the team will pull your COE and run your entitlement calculation, and when. Ask for a written breakdown of every fee you will pay at closing, mapped against Chapter 8's allowable charges, so you can see the 1 percent origination fee and the itemized extras separately rather than as a blur. Ask about the funding fee: what is mine, am I exempt, and are we financing it or paying cash? And ask about timing honestly. What is your current average from contract to closing on VA purchases? The answers to these questions will tell you within ten minutes whether you are talking to a VA specialist or a generalist reading from a script. Choose the specialist. On the largest financial transaction of your life, expertise is not a luxury.

VA LOAN PLAYBOOK

Your Next Step

You have now seen the program the way the handbook sees it: a federal guaranty that converts your service into concrete financial advantage, governed by published rules you can verify yourself. The veterans who get the most from the benefit share a few habits. They pull their COE early, before they shop. They learn whether they have full or remaining entitlement and what that means for their price range. They check their funding fee exemption status rather than assuming. They work with a lender and an agent who do VA loans regularly, because experience with the handbook's processes, from Tidewater to the amendatory clause to MPR repairs, is what keeps transactions smooth. And they treat the benefit as the living, reusable asset it is, not a one-time ticket they already spent.

If you are a veteran, an active-duty service member, or a surviving spouse thinking about buying, building, or refinancing, the most valuable thing you can do this week is start the conversation with someone who knows this handbook the way a good mechanic knows an engine. I am Twyla Gray, an Army Veteran and Branch Manager | Sr. Loan Officer with Edge Home Finance, and VA home lending is my specialty. Reach out and we will pull your COE, run your entitlement numbers, and map your options, with no obligation and no sales pitch. You earned this benefit. Let us make sure you actually get it.

VA LOAN PLAYBOOK

Sources and Handbook References

The VA Lenders Handbook (VA Pamphlet 26-7), the official rulebook for VA-guaranteed home loans, available through the VA's knowledge base at benefits.va.gov/WARMS/pam26_7.asp. Chapter references used in this guide: Chapter 1, the lender approval guidelines; Chapter 2, veteran's eligibility and entitlement; Chapter 3, the VA loan and guaranty; Chapter 4, credit underwriting; Chapter 5, how to process VA loans and submit them to VA; Chapter 6, refinancing loans; Chapter 7, loans requiring special underwriting, guaranty, and other considerations; Chapter 8, fees and charges the veteran can pay; Chapter 9, legal instruments, liens, and escrows; Chapter 10, manufactured homes; Chapter 11, appraisals of condominiums and planned unit developments; Chapter 12, VA appraisal requirements; and Chapter 13, the Notice of Value. A plain-English chapter map is available at vettedva.com/va-lender-handbook-26-7, a private site not affiliated with the Department of Veterans Affairs.

VA consumer pages: eligibility and the home loan program overview at va.gov/housing-assistance/home-loans; the official funding fee tables and closing cost guidance at va.gov/housing-assistance/home-loans/funding-fee-and-closing-costs; and Certificate of Eligibility requests at va.gov/housing-assistance/home-loans/how-to-request-coe.

2026 conforming loan limits: the Federal Housing Finance Agency baseline of $832,750 for most counties and $1,249,125 for high-cost areas, as reported by Bankrate's 2026 VA loan limits guide. Funding fee rates shown are the schedule effective for loans closing on or after April 7, 2023, per the VA's published tables and Circular 26-23-06 Exhibit B.

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VA guidelines, loan limits, and funding fees change over time; verify current requirements with your lender and at va.gov before making decisions. Have this content reviewed by your broker or compliance department before publishing.

YOUR VA HOME LOAN JOURNEY

Questions about your VA benefit?

Start with clear information and a financing strategy built around your goals.

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