Top 30 Misunderstood VA Mortgage Guidelines

This guide outlines the top 30 most commonly misunderstood guidelines about the VA Home Loan Program. It is designed to help veterans, real estate agents, and lenders clarify myths and ensure smoother transactions.

Eligibility & Entitlement

- Only combat veterans qualify – Not true. Many types of service qualify, including peacetime, Reserves, and National Guard (with sufficient service time).
- VA loans can only be used once – You can reuse your VA entitlement multiple times, even after previous VA loans.
- Remaining entitlement = no second VA loan – Partial entitlement can allow multiple VA loans at the same time if limits are met.
- You lose entitlement permanently if foreclosure occurs – You may be able to restore entitlement even after foreclosure, depending on repayment.
- Surviving spouses don’t qualify – Some surviving spouses are eligible, especially if the veteran died in service or from service-connected causes.

Funding Fee Misconceptions

- All veterans must pay a funding fee – Certain veterans (e.g., with service-connected disabilities) are exempt.
- Funding fee is always the same – It varies depending on first use, down payment, and type of service.
- Funding fee must be paid out of pocket – It can be rolled into the loan.

Property & Occupancy

- VA loans can’t be used for condos – They can, if the condo project is VA-approved.
- VA loans can’t be used for multi-unit properties – Up to 4 units is allowed if the veteran occupies one.
- VA loans can be used for investment property – Not true, primary residence only (with some exceptions for multi-unit).
- You must live in the home for life – Only required to certify intent to occupy within a reasonable time (usually 60 days).
- You can’t refinance a VA loan – There are two refinance options: IRRRL (streamline) and cash-out refinance.
- VA loans don’t allow new construction – They can be used for new construction, though lender overlays make it rare.

Credit & Income

- VA requires a minimum credit score – The VA itself does not set a minimum; lenders impose overlays.
- Debt-to-income (DTI) ratio is capped at 41% – VA allows higher ratios if residual income requirements are met.
- Spousal income cannot be counted – Spousal income can be included if documented.
- VA loans require perfect credit history – VA is more forgiving with bankruptcies, foreclosures, and collections compared to conventional.
- Student loans must always be counted at 1% of balance – VA has its own calculation methods, sometimes lower than conventional.

Costs & Fees

- VA loans have higher closing costs – VA actually limits what fees a veteran can be charged.
- Veterans must pay all closing costs – Seller, lender, or credits can cover closing costs.
- Veterans can't pay for appraisal/inspection – They can pay these; the VA only prohibits certain "junk fees."
- VA appraisals always kill deals – VA appraisers follow specific guidelines but are not harsher than FHA or USDA.

Loan Limits & Structure

- There's a maximum VA loan amount – Since 2020, there is no county loan limit for veterans with full entitlement.
- You always need a down payment – With full entitlement, no down payment is required regardless of price (unless lender overlays apply).
- VA loans can't be assumed – They are assumable with VA and lender approval.
- ARM (adjustable-rate mortgages) aren't allowed – VA does allow ARMs, though they are less common.

Other Misunderstandings

- VA loans take longer to close – With experienced lenders, VA loans often close as quickly as conventional.
- VA loans are risky for sellers – Sellers don't take on extra risk; VA guarantees part of the loan.
- Using a VA loan makes offers less competitive – Misconception. VA borrowers can compete equally, especially with strong pre-approval and closing timelines.