New Mortgage Options for Veterans Will Help Many in Overheated Housing Markets

May 17, 2018 - One of the primary benefits that veterans receive is the ability to take out a VA loan for the purchase of a home. These loans provide a number of benefits to would-be buyers including attractive terms for the life of the loan and reduced down payments. But these loans also come with some restrictions on the condition of the property being purchased, which can make finding a new home in some of the country's hottest markets a nearly impossible task. Now the VA is attempting to address this issue.

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With a VA loan, veterans with good credit can get into a new home with no money down. But size of these loans is limited. In most of the country, the upper limit on a loan is $424,100. There are 230 high priced counties nationwide in which those limits are higher; the highest of which is Honolulu with a $721,050 cap. In the mainland US, the upper limit of the cap is $636,500.

While those caps may sound like a lot, just consider that in San Francisco the median home price last month was $1.61 million and even in a city like Los Angeles, it is $570,000. For that price in LA, you're not going to get much. You'll be doing well if you get 2 bedrooms, 1 bath and more than 1,200 square feet of living space. There is also a good chance that if you can find a home in that price range that it will need a lot of repairs. And therein lies the problem. A run down house won't qualify for a traditional VA loan.

Last month, the VA introduced rehab loans in order to address this issue. Using a rehab loan, veterans now have more options available to them. These loans allow the borrower to include a rehabilitation budget of around $30,000 in the loan amount. There are limitations on what the budget can be used for though. Borrowers can update the existing structure; even as far as adding a room as long as you don't have to move a load-bearing wall. And DIY isn't allowed. Borrowers have to hire a contractor to do the work.

Repairs to the property need to be completed on a schedule. All repairs must be completed within 90 days of loan issuance. And a pest/termite clearance is required prior to the time the loan can fund.

In tight real estate markets, these new loans will provide veterans with a much better selection of housing and allow them to take advantage of one of the primary financial benefits of their service to the United States.
byJim Malmberg
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