

Sweet Loan Arrangement for Veterans (Mostly)

The Department of Veterans Affairs (“VA”) guarantees a portion of all VA mortgages. This makes the loan safer for lenders providing these loans. As a result, VA lenders generally charge about one half percent less than the fixed rate on a standard 30-year conventional mortgage. Unfortunately, many veterans are either unaware of these savings and other VA mortgage benefits, or they have forgotten about them.

✘ Since veterans can finance 100% of the purchase price of their primary residence, one might think the loan may be risky. Yet historically, veterans have the best track record for timely repayment – which is not surprising given their unwavering commitment to our country. Most veterans are required to pay a pre-closing VA Funding Fee (an insurance policy to the VA in case of a default), but there is no ongoing monthly mortgage insurance premium requirement – as is the case for conventional or FHA mortgages when the down payment is less than 20%.

But there is one key problem with the program when financing a condo: VA must approve the building and all condo association documents. While this would seem reasonable, most associations reserve the right to approve the buyer. VA views this as an ability to “screen” a prospective purchaser, and therefore discriminatory. Association documents must be revised to delete this approval right, and most condo boards are reluctant to do so (not because of veterans, but because they do not wish to allow the sale of a unit to individuals of ill repute).

Here’s the Point: *It’s Memorial Day coming up, so take the time to thank our veterans. Offering them preferential mortgage terms is the very least we can do.*

