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**PROUD TO  
SERVE THOSE  
WHO SERVE**

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# *THE INSIDER'S GUIDE:*

## Using your VA benefits to buy a home



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Licensed by the "Virginia State Corporation Commission"  
Company License #271648 / Loan Officer License #276814

# Commitment

Tanner Mulvihill - "Clients First"



*- Never too busy to take your call!*

*- Owner of  
Bayfield Home  
Loans Since 2006*

*- Personally  
Attend All  
Settlements*

*- Available Nights  
and Weekends*

*- Former Marine &  
VA Loan Specialist*

**Thank you so much for the opportunity to earn your business!** My name is Tanner Mulvihill. I'm the owner of Bayfield Home Loans in Stafford Virginia. Since becoming a loan officer in 2003 I have strived to conduct business by one simple rule, "Clients First."

My desire for you to have a great home buying experience permeates every aspect of how I treat my clients. For starters I am always available. I answer my phone both nights and weekends and am never to busy to answer your questions. Many of my clients have also expressed appreciation for the ability to meet with me in person. Buying a house is a big deal and I respect and understand that.

When not helping clients I enjoy spending time with my family. My wife and I have two young sons, Jamison who is seven and Caleb who is five. Needless to say they keep us pretty busy.

In closing, I appreciate the opportunity to help you with your mortgage needs and you have my **Commitment** that I will give you a great rate and a great customer experience.

Sincerely,

A handwritten signature in blue ink, appearing to read "Tanner Mulvihill".

Tanner Mulvihill

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# **Step 1: Pre-qualify (10 minute process)**

Since most people have bought cars before, let me give you an analogy to describe why getting pre-qualified should be your first step. Imagine if you went to an auto dealership and none of the cars had the price on them. How would you know if you could afford the payment? Would you walk around the car with your spouse and say, "we can probably afford this one with no problem because it's a coupe, unlike the one you liked with four doors. I read somewhere that more doors on a car make it more expensive." Of course you wouldn't do that. Think of buying a house the same way. If I told you a house was two hundred thousand dollars, you might say that sounds way out of your price range, however, if I tell you your payment is \$1,100 a month you probably will feel a lot better.

Prequalification with the right loan officer will address the following important questions for you:

1. **Am I eligible to get a loan?** Of course hopefully the answer is yes, but if you have credit troubles or have had credit troubles, getting a VA loan is not a given. As of February 2011 you need to have a 620 or better credit score to qualify. During the prequalification process your credit report will be pulled and provided to you for your records.
2. **How much can I qualify for and what would the mortgage payment be on that amount?** A good loan officer will provide this information for you, but will also ask you pointed questions about where YOU want your mortgage payment to be. In today's economy most of my clients don't want to "max out" how much they qualify for. I always make it a point to ask where they want their mortgage payment to be and then provide them with a range to start looking at houses in. Just because you can afford a nicer house, doesn't mean you want to eat ketchup soup and have lawn chairs for furniture. Make sure you are comfortable with the payment.



## **COMMON QUESTIONS**

**Q: Is "pre-qualification" the same as "pre-approval"?**

**A:** No, pre-qualification is based off the information you verbally tell your loan officer. Pre-approval is given when documents are reviewed to confirm information. Some loan officers refer to this as an "Intent to Lend".

**Q: Do I need to have a lot of information with me to get prequalified?**

**A:** No. Most of the questions asked during the prequalification process are pretty simple but you should be prepared that they are personal (social security numbers, income, etc.).

**Q: What is a "certificate of eligibility" and do I need to contact the VA to get it?**

**A:** In plain English, a certificate of eligibility shows a lender that a person is eligible for a VA loan. A loan officer who is approved through the VA can obtain the certificate for you without you having to contact the VA.

**Q: What documents are commonly needed?**

1. Most recent LES, CLES(s) or paystubs covering the last 30 days
2. Last 2 years of W-2's
3. The last two most recent bank statements from your primary bank (must include ALL pages)
4. Most recent TSP or 401K statement if applicable

## **Step 2: Find a Realtor**

Now that you have gotten prequalified and know how much house you can afford, the next step is to choose a Realtor. You can go online to find all different ways to pick a Realtor but this is what I recommend:

Pick a Realtor who is familiar with Military relocation or even better is a Veteran or a Military spouse.

Pick a Realtor who is a full time agent.

Ask me for a recommendation on a Realtor.

A common question that I run into when helping first time homebuyers is “do I have to pay my realtor?” The answer is NO. When you purchase a home, the agent that has helped you through the process is paid by the seller of the property. This is the case no matter who you choose.

### **CAUTION**

Do not pick a Realtor off a “For Sale” sign on a house. This is a common mistake. The agent on the sign represents the seller and has a vested interest in you buying the house they have listed.



### **CAUTION**

Nothing can be more frustrating than getting your heart set on a house from the internet only to find out the house has been sold. To avoid this ask your Realtor to set you up to receive the most up to date listings available via email.

Here are a few questions you may want to ask when selecting an agent:

1. Please explain your experience and knowledge of the market.
2. Do you preview the home before you show them to your clients?
3. Based on my budget, what are your expectations of my desires being met? What will I need to compromise if any?
4. Please tell me one thing that I must know about this market and why.



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## Step 3: The Hunt Begins!

So by now you have talked with your loan officer and found a Realtor. You should continue to keep both parties up-to-date on your status in the process and if there are any changes.

Since this is prepared primarily for the first time military homebuyer, there are important factors that are unique to your situation and **should be given extra consideration**:

1. Distance to base
2. School system
3. Neighborhood reputation
4. Ability to rent or sell the house easily should you need to
5. Homeowner's Association rules and regulations

Finding a new home can be exciting. Deciding what you truly want and need – and can afford – can be challenging. Making these decisions begins with setting priorities among different preferences.

### THINGS TO CONSIDER WHEN SELECTING YOUR HOME:

Type of home	Number of Bedrooms	Home Features	Other rooms needed
Storage space	Garage	Age & Style of home	Commuting options
Yard size	Taxes & HOA fees	Condition of property	Flexibility on timing
Repair & Rehab cost	Proximity to community features		

### CONSIDERING BUYING NEW CONSTRUCTION?

No matter how friendly the sales person at the new home site is, remember they work for the builder, not you. That's why it's important to have your Realtor present for all negotiations. Your agent can help you stay clear of expensive options that add thousands to your purchase price and help you negotiate the best deal possible.



### TALK WITH TANNER

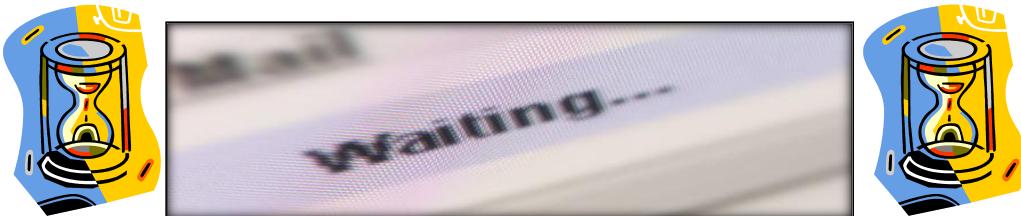
I am happy to figure out the payment details for a particular property for my clients anytime. Call me at (540) 850-6267, even on weekends!



## **Step 4: Locked & Loaded: The Loan Process**

Remember the loan officer you talked to in Step 1? It's now time for them to shine. Your loan officer has already gathered some information from you at this point but that information is not all they will need. Once you have a signed contract on a house and you have received your "ratified contract" back from your Realtor, your loan officer (who will also get a copy of this) will lock your interest rate. You will then meet with your loan officer for the actual loan application.

During the meeting you will be asked for your Government issued identification (a copy is made) along with your signature on many forms. A good loan officer will explain each page as you sign and answer any questions you may have along the way. Once all your paperwork is signed, your loan officer will submit your loan for underwriting.



After the underwriting process is complete, the lender will send your loan officer your loan approval with conditions. These can be items like updated bank statements, new paystub etc. These are common and in most cases it is information that your loan officer will provide and requires very little effort on your part.

### **THINGS TO DO WHILE YOU WAIT YOUR LOAN APPROVAL**

- Set up your Homeowners Insurance**
- Order and view your Home Inspection (your Realtor can assist you with this)**
- Await your appraisal on the property**



## **Step 5: Home Sweet Home**

The day of settlement is here. Today is the day you will get the keys to your new home. You will want to make sure you have completed your walk-thru with your Realtor as well as turned on or transferred the utilities into your name a few days before settlement.

You will be required to present two forms of identification and the settlement process is a lot like the loan application. In most cases, your Realtor as well as your Loan Officer will also be present. The settlement process takes about an hour and a half. Your keys will be given to you at the settlement table.



So by now you should have a general understanding of the steps involved in purchasing a home. This guide is not intended to answer every question that you may have about the process but it should give you a rough understanding. I welcome the chance to talk to you and answer any questions that you may have about using your VA benefits.

**Ready for more? Continue on for:**

**ADVANCED TACTICS TO PURCHASE A HOME**



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## What is the VA funding Fee?

Now that you understand the basics of the home buying process its important you understand how the VA funding fee impacts your transaction. The VA Funding Fee is a fee paid directly to the Department of Veteran's Affairs and is the reason they can guarantee a no-money-down loan program for Veterans or active duty members.

Think of this fee like car insurance. We all have to buy car insurance though not everyone will get in a wreck and by the same token unless exempt from the funding fee (in the case of those who receive disability pay from the VA) all Veterans and active duty members have to pay the VA funding fee because of the potential someone will be foreclosed on and the VA will have to pay a "claim" to the lender who had originated the mortgage.

So now that you have an idea of what the funding fee is, how much does it cost? The funding fee cost is based off the loan amount on a transaction. Assuming your using the VA loan for the first time and doing 100% financing, the funding fee is 2.15% of the loan amount. As an example on a \$250,000 loan, the VA funding fee is \$5,375.

### **DO I HAVE TO BRING THE FUNDING FEE TO SETTLEMENT?**

Thankfully no. The VA funding can be paid for in many different ways including:

1. Financed into the total loan amount.
2. Use of seller concessions.
3. Paid for at settlement by you.
4. Paid for by a Lender Credit (Ask me for more information on this option)

### **VA Funding Fee Schedule Purchase & Refinance**

Veteran Type	Down Payment	% For First-Time Use	% For Subsequent Use
Regular Military	None	2.15%	3.30%
	5% or More	1.50%	1.50%
	10% or More	1.25%	1.25%
National Guard & Reserves	None	2.40%	3.30%
	5% or More	1.75%	1.75%
	10% or More	1.50%	1.50%

## Using a Lender Credit to cover the VA Funding Fee

Most Active duty members and Veterans would be surprised to learn that the lenders most turn to for their mortgage needs rarely if ever bring up the option of using a lender credit to pay down the VA funding fee. It's not because the loan officer you are speaking with is a bad person, rather they just don't have the incentive to do a "great" job for you when an average job will suffice. That's why you don't have their cell phone number if you have any questions in the evening and they don't take your call on the weekends.

At Bayfield Home Loans we consistently offer this option to our clients because it just makes good sense. Imagine that you have orders to Quantico for three years and you're looking to buy a \$300,000 house. If doing a 100% financing your funding fee for first time use would be \$6,450. If you roll that to the back of the loan you would be financing in total \$306,450. By the time you go to sell the home three later you most likely will have not even paid the balance down to what you bought the home for.

But instead of adding the balance to the back of the loan, imagine if you used a lender credit to cover the VA funding fee instead. At Bayfield Home Loans for just a slight adjustment to the interest rate (usually an 1/8<sup>th</sup> over our competitors) we can cover you a lender credit through one of the lenders we work with to cover this charge. It might not be the best route for you, but at least you will know your options.

## Using Seller Concessions

Like most transactions when purchasing a home there are costs involved. Most people taking advantage of a VA loan are unaware of the fact that while their loan is 100% financed, their closing costs are not. That's where Seller Concessions come into play. Seller concessions are basically a "give back" from the sellers to you the purchaser to help you pay your closing costs. In Northern Virginia the average seller concession is 3% of the sales price. In most cases this will be enough to cover all your closing costs so you are truly able to move into a home for less than \$1,000. In many cases you may not even have to pay that much. A good Real Estate agent should ask you if need any seller concessions and help you secure them on your purchase.

## THE TOP 10 CREDIT DON'TS DURING THE LOAN PROCESS

- **DON'T DO ANYTHING THAT WILL CAUSE A RED FLAG TO BE RAISED BY THE SCORING SYSTEM.** This would include adding new accounts, co-signing on a loan, changing your name or address with the bureaus. The less activity on your reports during the loan process, the better.
- **DON'T APPLY FOR NEW CREDIT OF ANY KIND.** Including those "You have been pre-approved" credit card invitations that you receive in the mail or online. Every time that you have your credit pulled by a potential creditor or lender, you lose points from your credit score immediately. Depending on the elements in your current credit report, you could lose anywhere from one to 20 points for one hard inquiry.
- **DON'T MAX OUT OR OVER CHARGE ON YOUR CREDIT CARD ACCOUNTS.** This is the fastest way to bring your scores down 50-100 points immediately. Try to keep your credit card balances below 30% of their available limit at ALL times during the loan process. If you decide to pay down balances, do it across the board. Meaning, pay balances to limit ratio to the same level on each card (i.e. all to 30% of the limit, or all to 40% etc.)
- **DON'T CONSOLIDATE YOUR DEBT ONTO 1 OR 2 CARDS.** It seems like it would be the smart thing to do, however, when you consolidate all of your debt onto one card, it appears that you are maxed out on that card and the system will penalize you as mentioned above. If you want to save money on credit card interest rates, wait until after closing.
- **DON'T CLOSE CREDIT CARD ACCOUNTS.** If you close a credit card account, you will lose available credit, and it will appear to the FICO that your debt ratio has gone up. Also, closing a card will affect other factors in the score such as length of credit history. If you HAVE to close a credit card, do it after closing.
- **DON'T PAY LATE.** Stay current on existing accounts. Under the new FICO scoring model, one 30- day late can cost you anywhere from 50-100 points and points lost for late pays take several months if not years to recover.
- **DON'T ALLOW ANY ACCOUNT TO RUN PAST DUE – EVEN 1 DAY!** Most cards will offer a grace period, however, what they don't tell you is that once the due date passes, that account will show a past due amount on your credit report. Past due balances can also drop scores by 50+ points.
- **DON'T DISPUTE ANYTHING ON YOUR CREDIT REPORT, ONCE THE LOAN PROCESS HAS STARTED.** When you send a letter of dispute to the credit reporting agencies, a note is put onto your credit report, and when the underwriter notices items in dispute, in many instances, they will not process the loan until the note is removed and new credit scores are pulled. Why? Because in some instance, credit scoring software will not consider items in dispute in the credit score – giving false data to the lender.
- **DON'T LOSE CONTACT WITH YOUR LOAN & REAL ESTATE PROFESSIONALS.** If you have a question about whether or not you should take a specific action that you believe may affect your credit reports or scores during the loan process, your mortgage or real estate professional may be able to supply you with the resources you need to avoid making mistakes that could drop your credit scores or possibly cause you to lose the loan.