

Little-down VA loans “best around”

They are finding favor as down payments, not rates, drive more deals.

By Tom LaRocque
Special to The Denver Post

Today's difficult economy typically means homebuyers need great credit and lots of money, both in scant supply.

Longtime federal home loan programs from Veterans Affairs, once considered by lenders as too tedious and cumbersome to bother with, are now finding favor.

Besides, there were easier ways to get 100 percent loans.

Those days have changed, but the VA loans still require little money down — if any — and are at extremely attractive terms.

“A VA loan is the best loan around,” said D.J. Robbins, a mortgage broker who has written about 30 mortgages for veterans in the past year.

It's because veterans, even those who served in peacetime, can secure “zero down” 100 percent financing insured by the U.S. Department of Veterans Affairs.

Chris DeJulio is one of them.

The former Marine Corps helicopter mechanic is about to close on a \$395,000 VA loan for the full price of a four-unit apartment building in Fort Collins.

Rental income on three of the units will nearly offset his finance costs.

That means the 27-year-old landlord-to-be will “live for free,” or nearly so, in one of the units, he said.

VA financing is “a tremendous benefit,” DeJulio said.

Like loans from the Federal Housing Administration, interest rates on VA loans are only slightly higher than conventional financing.

Recently, a national lender advertised conventional home loans in Denver at 4.96 percent, the lowest in decades.

The VA rate: 5.1 percent.

But rates aren't what drive home loans, Robbins said. It's down payments.

While the conventional loan requires up to 20 percent down, and the FHA note is 3.5 percent, the VA loan can be nothing at all.

A first-time borrower must pay the VA a 2.15 percent fee, which can be rolled into the financed amount. The fee is waived for veterans deemed to be at least 10 percent disabled.

And the loans are easy to find, issued by most big residential lenders.

There are other benefits to a VA loan unavailable elsewhere:

- A seller can rebate up to 6 percent of the purchase price to cover the buyer's closing costs.
- The seller can pay down the buyer's credit-card debt or even purchase an appliance for the home to help close the deal.
- VA loans do not require mortgage insurance, even with 100 percent financing.



Former Marine Chris DeJulio says VA financing is “a tremendous benefit.” He is about to close on a loan that covers 100 percent of the cost of this four-unit apartment building in Fort Collins. *Andy Cross, The Denver Post*