

VA Lenders Handbook (VA Pamphlet 26-7), Chapter 2, Topic 6 — Restoration of Previously Used Entitlement

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6. Restoration of Previously Used Entitlement a. Basic Restoration Entitlement previously used in connection with a VA home loan may be restored under certain circumstances. Once restored, it can be used again for another VA loan. Restoration of previously used entitlement is possible if: • property which secured the VA-guaranteed loan has been sold, and the loan has been paid in full; or • eligible Veteran-transferee has agreed to assume the outstanding balance on a VA loan and substitute his or her entitlement for the same amount originally used on the loan. The assuming Veteran, substituting his/her entitlement, must also meet occupancy, income, and credit requirements. This should be completed before requesting the Loan Guaranty Certificate in WebLGY, on the new loan. b. Special Restoration Cases In addition to the basic restoration criteria outlined above, a Veteran may obtain restoration of the entitlement used on a prior VA loan under any of the following circumstances: • Regular “cash-out” refinance where the prior VA loan has been paid in full and the Veteran has made application for a refinance loan to be secured by the same property which secured the prior VA loan. This includes refinancing situations, in which the prior loan will be paid off at closing from a VA refinancing loan on the same property, or • One –time restoration where the prior VA loan has been paid in full, but the Veteran has not disposed of the property securing the loan. The Veteran may obtain restoration of the entitlement used on the prior loan in order to purchase a different property, one time only. Once such restoration is used, the Veteran’s COE will indicate the one-time restoration. The COE will also advise that any future restoration (purchase or cash-out refinance) will require disposal of all property or properties obtained with a VA loan. Example. A Veteran used all his entitlement to purchase a home for \$453,100 in a non-high cost county in Maryland. Prior to job relocation to GA, he refinanced the loan to a non-VA loan. The loan was paid in full; however, he still owned the property. He now wants to purchase a home in GA and applies for a one-time restoration. This is possible. If the Veteran wants to use the benefit in the future for another purchase or regular “cash- out” refinancing, both properties would have to be disposed of before entitlement can be restored. VA Pamphlet 26-7, Revised Chapter 2: Veteran’s Eligibility and Entitlement 2-19

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