VA Lenders Handbook (VA Pamphlet 26-7), Chapter 9, Topic 4 — Land Sale Contracts and Option Contracts

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> 4. Land Sale Contracts and Option Contracts Change Date July 30, 2019 • This chapter has been revised in its entirety. a. Eligibility of Land Sale Contracts VA may guarantee an obligation secured by a land sale contract for the purchase of improved residential property in the same manner as any obligation secured by a mortgage or deed of trust. • The land sale contract must contain the mandatory clauses provided in Topic 1 of this chapter. • The contract must be recorded. b. Refinance Land Sale Contracts Pursuant to Title 38 of the U.S.C., subchapter 3710(b)(7)(B), VA may also guarantee a loan to refinance the unpaid balance under a land sale contract for the purchase of improved residential property, provided: • the Veteran will obtain title to the property described in the contract upon closing of the loan, and • the obligation to be guaranteed is in the form of a mortgage note or bond secured by a mortgage or other acceptable form of security instrument other than the existing land sale contract. c. Eligibility of Option Contracts Option contracts are not eligible for guaranty; however, VA may guarantee a loan made for the unpaid purchase price of residential property when the option is exercised. VA Pamphlet 26-7, Revised Chapter 9: Legal Instruments, Liens, Escrows, and Related Issues 9-9

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