VA Lenders Handbook (VA Pamphlet 26-7), Chapter 9, Topic 6 — Purchase of Property with Encumbrances

Register va-m26-7-ch09-t06

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6. Purchase of Property with Encumbrances Change Date July 30, 2019 • This chapter has been revised in its entirety. a. Policy Pursuant to 38 U.S.C. § 3703(d)(3)(A), a VA-guaranteed loan must be secured by a first lien on the realty. Lenders are responsible for properly securing the first-lien position of a VA-guaranteed loan. Any existing liens on the property must be paid off or subordinated to the VA loan. b. Eligibility A loan to purchase property subject to unpaid delinquent taxes, special assessments, prior mortgage indebtedness, or other obligations secured by effective liens that the Veteran agrees to pay or which constitute encumbrances on the property is not eligible for guaranty, if the loan amount, plus these unpaid obligations, exceeds VA's reasonable value of the property. VA Pamphlet 26-7, Revised Chapter 9: Legal Instruments, Liens, Escrows, and Related Issues 9-12

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