Defining a Qualified Real Estate Mortgage for Veterans

by Isaac Benmergui, Esq on June 26, 2014

It's no secret that we take pride in our military. That's why the Department of Veterans Affairs (VA) finalized a ruling based on defining what exactly a "qualified mortgage" is with respect to insured and guaranteed loans for our military veterans. The exact reason for this is actually quite simple – there are regulations involved regarding what constitutes a "qualified" real estate mortgage, but all situations are different, and without a doubt a veteran may need specific safe harbors or alternatives to obtaining a loan.

In particular, there's the strict 43% DTI ratio threshold applied to qualified mortgages. For veterans, though, you can expect all loans to fall under the "safe harbor" category, without a shadow of a doubt. There are, however, some other requirements necessary from a safe harbor and veteran standpoint –

- Loan Origination Has to Be Within 6 Months of Closing Date
- No More Than 30 Days Past Due Preceding Closing Date
- Recoupment Period Must Not Exceed 36 Months

This falls under real estate requirements for an "ability to repay." For purposes of efficiency and whether or not the VA made the right move in qualifying those loans under a safe harbor format, the VA did note statistics back in 2013 of over 95K of loans guaranteed actually exceeded that strict 43% DTI ratio. Additionally, 5K of them would've went well above the APR limit for qualification of the qualified real estate mortgage safe harbor category. Those are heavy numbers.

Without a doubt, the VA would need to communicate and address the situation with respect to veterans, lenders and even investors about the possible outcome for allowing this. Hopefully it pans out and our veterans, our faithful military, will get the benefit and chance they deserve to be citizens like all of us have the prestige to be.

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