

## VA ACCEPTANCE OF HOMEBUYER ASSISTANCE PROGRAMS

1. **Purpose.** The purpose of this circular is to establish requirements for VA acceptance of Homebuyer Assistance Programs (HAP) for use by veteran-homebuyers in conjunction with VA-guaranteed home financing.

2. **Background.** HAPs are usually designed to help prospective first-time homebuyers with low to moderate incomes by providing funds for downpayments and/or closing costs. The assistance may be in the form of outright grants with no repayment provisions or soft second mortgages that may be forgiven when the buyer meets a specified occupancy requirement. Buyers who do not meet a HAP occupancy requirement may be required to repay a pro-rated portion of the assistance funds. VA allows veteran-homebuyers to utilize the services of HAPs when obtaining a VA home loan.

3. **Acceptance of Homebuyer Assistance Programs.** Both government and private entities administer HAPs. HAPs that are administered by a state, county, or municipal government entity have blanket approval for use with VA loans. Lenders are not required to obtain VA approval of such programs before closing the loan. Program descriptions and sample documents for Homebuyer Assistance Programs administered by private entities must be submitted to the local Regional Loan Center (RLC) for review and approval. Lenders making VA loans that involve HAPs must ensure the following:

- a. The borrower(s) must meet VA credit standards.
- b. The lender must obtain a VA appraisal and the property must meet VA minimum property standards.
- c. If the sale price of the property exceeds the VA reasonable value of the property, VA will only allow HAP assistance in the form of a grant to pay the difference. Otherwise the veteran must pay the difference of price over value from his or her own funds without borrowing.
- d. HAPs often require buyers to occupy the property for a specified period of time. The lender must obtain the borrower's acknowledgement of any requirements to repay HAP funds at closing and provide a copy of the signed acknowledgement if VA requests the loan file for review.

4. **Homebuyer Assistance Program Fees.** Some HAPs require the buyer to pay certain fees to use the program. The fees might include compliance review fees, code compliance fees, funding fees, and tax service fees. Generally, veterans may pay HAP-required fees; however, lenders should contact their local RLC for approval of any individual HAP fee to the buyer that exceeds \$250. Chapter 8 of the VA Lenders

Handbook lists closing charges that veterans are not allowed to pay when a one-percent loan origination fee is charged. Since HAPs are designed to assist low to moderate income buyers, lenders may not charge veteran-borrowers unallowed fees and use HAP funds to offset these charges since this practice dilutes the assistance that the HAP was intended to provide.

5. **Questions.** Please e-mail any questions regarding this circular to Erica Lewis, at [erica.lewis@va.gov](mailto:erica.lewis@va.gov).

6. **Rescission.** This circular is rescinded January 1, 2010.

By Direction of the Under Secretary for Benefits

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Director, Loan Guaranty Service

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