U.S. Department of Veterans Affairs

Lesson 5: Occupancy

VA Credit Standards

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Course Navigation

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What to Expect in This Lesson

Welcome to the VA Home Loan program Occupancy lesson.

The previous lesson provided an overview of eligibility. In this lesson, you will learn about the occupancy requirements for the VA Home Loan program.

At the end of this lesson, and given access to VA resources, you will be able to successfully:

1. Define the specific occupancy requirements for VA Home Loans.
2. Recognize ways occupancy requirements on VA Home Loans can be satisfied.
3. Describe the process for certifying occupancy in VA Home Loans.

The Purpose

As an Underwriter, you play a crucial role in ensuring that eligible Veterans, and surviving spouses can access this valuable benefit.

This lesson will provide details on occupancy requirements for VA Home Loans, including the various ways a Veteran may satisfy those requirements and an explanation of how occupancy is certified.

This lesson will equip you with a thorough understanding of an Underwriter's duties and your responsibilities throughout the process..

Understanding Occupancy Requirements

The Veteran must certify that they intend to personally occupy the property as their home. They must intend to occupy the home at the time of closing or within a reasonable time.

What is a “reasonable” time?
The “reasonable” time window is set at 60 days following the loan's closing. More than 60 days may be considered reasonable if both of the following conditions are met:

- The Veteran commits to personally occupy the property on a predetermined date beyond the initial 60 days post-closing, **and**
- A specific upcoming event is identified that facilitates the Veteran's ability to move in by the established future date.

Occupancy at a date beyond 12 months after loan closing generally cannot be considered reasonable by VA. Also, VA Home Loans cannot be utilized for purchasing investment properties or vacation homes.

Additionally, VA guidelines do not specify a minimum occupancy duration. This flexibility aids applicants in maintaining compliance while managing life's transitions.

IRRRL Occupancy Requirements

IRRRL Requirements
The Veteran previously certified occupancy on their VA Home Loan. Now, they wish to obtain an Interest Rate Reduction Refinancing Loan (IRRRL). To satisfy the occupancy requirement for an IRRRL, the Veteran or surviving spouse must certify that they previously occupied the property as their home.

Meet Captain Laura Romero:

Captain Laura Romero, a Veteran, had settled into a home in Virginia purchased with a VA Home Loan, where she lived for several years. With a new military assignment in California, Captain Romero opted to rent out her Virginia residence. Despite her relocation, she qualified to refinance her mortgage under the Interest Rate Reduction Refinancing Loan (IRRRL). This refinancing option allowed her to take advantage of lower interest rates based on her previous, rather than current, occupancy.

Unlike typical refinancing options, the IRRRL does not require the Veteran to currently live in the home. This allows for the Veteran or surviving spouse to reduce their interest rate even when they are no longer living in the property that they previously occupied.

Knowledge Check 1

What does “reasonable time” mean when certifying occupancy?

A. The Veteran must occupy the home within 30 days of closing.
B. Veterans and active-duty Servicemembers must certify they intend to use the home for more than 365 days.
C. The Veteran must occupy the home within 60 days.

Correct answer: C. The Veteran must intend to occupy the home within 60 days of the closing of the VA Home Loan. There are, however, conditions that will allow the Veteran to occupy after 60 days.

Knowledge Check 2

What distinguishes the occupancy requirement for an IRRRL loan from other types of loans?

A. The applicant only needs to certify that they own and previously lived in the home.

B. The applicant must currently live in the home.
C. The applicant must use the IRRRL to purchase the home as a vacation home or investment.

Correct answer: A. The applicant only needs to certify that they own and previously lived in the home.

Additional Ways to Satisfy Occupancy Requirements

VA Home Loans typically stipulate that the Veteran, Servicemember, or surviving spouse must occupy their new home within 60 days of closing, a guideline known as the “reasonable time requirement.” However, there are alternative ways to satisfy the occupancy requirement, that provide flexibility under specific circumstances.

Occupancy for Deployment Active-Duty Servicemembers:

In cases where an active-duty Servicemember is deployed, they may satisfy the occupancy requirement if the property is located at their permanent duty station. In cases where they are married, the spouse may satisfy the requirement in lieu of the Servicemember.

The active-duty Servicemember must certify that they or their spouse are satisfying the occupancy requirement on the VA Form 26-1820, Report and Certification of Loan Disbursement.

Example: Emily, an active-duty Servicemember, is deployed overseas but permanently stationed in California. She applies for a VA Home Loan to purchase a home there. She is single and won't be able to occupy it until her deployment ends in 18 months.

Does Emily satisfy the requirements for occupancy? Yes. The property is near her permanent duty station in California.

Occupancy by Spouse or Child of Active-Duty Servicemember:

Occupancy, or an intent to occupy, by the spouse or dependent child satisfies the occupancy requirement for a Servicemember who is on active duty and cannot personally occupy the dwelling within a reasonable time.

- In the case of a spouse satisfying the occupancy, the active-duty Servicemember would certify as such on VA Form 26-1820, Report and Certification of Loan Disbursement.
- In the case of a dependent child, the applicant’s attorney-in-fact or legal guardian of the dependent child must make the certification and sign VA Form 26-1820, Report and Certification of Loan Disbursement.

Example: Minh, an active-duty Servicemember overseas, applied for a VA Home Loan to buy a home in Virginia. He won't return for 14 months, so his 4-year-old son, Liam, will live there with his legal guardian, Tammy.

Does Minh satisfy the requirements for occupancy? Yes. Liam's occupancy with his legal guardian, certified by Tammy on VA Form 26-1820, satisfies the requirement.

Delayed Occupancy Due to Property Repairs or Improvements:

When a Veteran cannot occupy their newly purchased or refinanced home within the standard 60-day period due to significant renovations or repairs, specific guidelines apply:

- There are extensive repairs or changes that would prevent occupancy of the property while the work is being completed.

- The Veteran or surviving spouse must certify that they intend to occupy the property upon completion of repairs or improvements on the VA Form 26-1820, Report and Certification of Loan Disbursement.

These provisions ensure applicants who are enhancing their homes can do so without penalty, maintaining their VA Home Loan benefits despite delays in occupancy.

Example: Kathy, a surviving spouse, applied for a VA Home Loan to buy a home in Georgia needing extensive foundation repairs. The work will take 4 months. Kathy will live in a rental nearby, intending to occupy the home after repairs are completed.

Does Kathy satisfy the requirements for occupancy? Yes. Kathy can certify her intent to occupy the home after repairs are completed on VA Form 26-1820.

Occupancy After Retirement:

The Veteran may satisfy the occupancy requirement after retirement if they are able to meet the following conditions:

- The Veteran must have a confirmed retirement date that is within 12 months of loan closing.
- The Underwriter must consider the change in the Veteran's income to ensure that they will qualify. This may include reviewing the projected future income.

Veterans can secure a VA Home Loan for their retirement home even if they do not plan to occupy it within the standard 60-day period, however they must intend to occupy the home immediately following their retirement date.

Example: Marcus, an active-duty Servicemember stationed in New Jersey, applied for a VA Home Loan to purchase a home in Florida for his retirement. The loan closing date is set for July 1, 2024. Marcus plans to retire sometime between 2024 and 2027.

Does Marcus satisfy the requirements for occupancy? No. Marcus’s retirement date is unknown. He must retire within 12 months of loan closing.

Intermittent Occupancy:

The Veteran is not required to maintain a physical presence at the property. However, the following conditions must be met:

- The Veteran needs to demonstrate a consistent presence in the community, affirming the property as their permanent home.
- There should be no indications that the Veteran has, or plans to establish, another home elsewhere.

Example: Jamie, a Veteran and firefighter, applied for a VA Home Loan to buy a home in Maine. He works a 24/48 schedule at the firehouse in Boston, MA, spending about 10 days a month there. When off duty, he returns to his family in Maine, where he receives mail.

Does Jamie satisfy the requirements for occupancy? Yes. Despite his time in Boston, Jamie maintains residence in Maine and has no plans to establish another home elsewhere.

Knowledge Check 3

Sarah, a U.S. Navy Veteran, is interested in buying a new home and plans to retire within the next 3 months. If she starts the VA Home Loan process now, will she satisfy the occupancy requirements?

A. Yes, Sarah is currently an active-duty Servicemember and will meet the occupancy requirement.
B. No, Sarah must apply for the VA Home Loan prior to retirement to meet the occupancy requirement.
C. Yes, Sarah has a confirmed retirement date within the 12-month period of the loan closing and will meet the occupancy requirement.

Correct answer: C. Yes, Sarah has a confirmed retirement date within the 12-month period of the loan closing and will meet the occupancy requirements.

Certification

Veterans are required to certify their intent to occupy the property on **VA Form 26-1820,** Report and Certification of Loan Disbursement, at closing.

VA Form 26-1820 is required to be completed for all loan types at closing. The lender may accept the occupancy certification unless there is an indicator that the applicant does not actually intend to occupy the property.

Knowledge Check 4

Amy completed a VA Cash-Out Refinancing Loan on her home two years ago. Now she is living in a different home but wants to complete an Interest Rate Reduction Refinancing Loan (IRRRL) for the original home. Is she able to satisfy the occupancy requirement?

A. No, for IRRRLs, the Veteran must still reside in the property.
B. Yes, she can certify that she previously met the occupancy requirement on the property using **VA Form 26-1820.**
C. Yes, she can certify that she is now currently residing in the property on **VA Form 26-1820**.
D. No, she can only refinance her new home.

Correct answer: B. Yes, she can certify that she previously met the occupancy on the property using **VA Form 26-1820**.

What Are the Underwriter’s Responsibilities?

- Review and Verify Occupancy Compliance: Underwriters should review the certifications and documentation, as well as investigate and resolve any inconsistencies found.
- Consult Loan Guaranty: Consult Loan Guaranty for complex scenarios where there is doubt as to whether the scenario meets the required occupancy requirement.

Resources

As a VA Home Loan Underwriter, it's crucial to be familiar with the resources at your disposal to effectively navigate underwriting standards, roles, responsibilities, and expectations. Here's a guide on the key resources and how to utilize them:

- VA Lenders Handbook: Explore comprehensive guidelines on credit underwriting processes.

- Code of Federal Regulations: Reference for legal standards affecting VA loans and underwriting practices.
- US Code Title 38 – Veteran Benefits: The primary legal framework for all Veterans' benefits, including VA Home Loans.
- Form Search: Useful for finding and accessing required forms quickly.

When Additional Assistance is Needed:

- Submit a ticket via ServiceNow to get tailored support.
- Contact VA Loan Guaranty.
- Sign up for GovDelivery to receive email updates on any changes to VA requirements.

These resources are designed to support your role in ensuring that loan applications meet all necessary guidelines and to assist Veterans effectively. Familiarity with these tools will enhance your ability to perform underwriting duties efficiently and accurately.

Note: Hyperlinks will take you outside of the training environment.

Summary

You have completed the Occupancy lesson!
In this lesson, you learned about the VA Home Loan program occupancy requirements for eligible Veterans, Servicemembers, and their families.

This lesson introduced you to:

- Defining the specific occupancy requirements for VA Home Loans
- Recognizing ways occupancy requirements on VA Home Loans can be satisfied
- Describing the process for certifying occupancy on VA Home Loans

In an upcoming lesson called Purchase Loans, we will explore the VA's guidelines for Purchase Loans.