



# USING YOUR ★ VA LOAN ★

TO GROW YOUR REAL  
ESTATE PORTFOLIO



HAMP LEE III



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SAN ANTONIO, TEXAS

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Using Your VA Loan to Grow Your Real Estate Portfolio  
Hamp Lee III — 1st ed.

ISBN: 978-1-940042-86-2

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# INTRODUCTION

When I first joined the military, I thought your U.S. Department of Veteran Affairs Home Loan Guaranty Program (VA loan) benefit could only be used once. However, through various circumstances, I learned that you can use your VA loan multiple times in certain circumstances. Now as a real estate agent and active duty military member, I have many conversations about the benefits of the VA loan and I want to summarize them in this book.

*"Use Your VA Loan to Grow Your Real Estate Portfolio,"* will provide information on the VA loan, including its history, who qualifies to use it, and step-by-step instructions for utilizing this amazing benefit. In addition, I'll provide strategies for using your VA loan to build a real estate portfolio. Much of the information provided in this book is a summary of what can be found on the VA website.<sup>1</sup>

I firmly believe the VA loan is one of the best benefits for military members, veterans, and eligible spouses. By utilizing this benefit to acquire primary homes that become rental properties, you can generate passive

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<sup>1</sup> <https://www.va.gov/housing-assistance/home-loans/>.

income and build wealth to impact your family's long-term financial standing.

I'm excited to share the information in this book and help you take advantage of this valuable benefit. Let's get to work and see how you can build your family legacy through real estate.

# HISTORY OF THE VA LOAN

The VA loan began as part of the United States Government's commitment to eliminate the economic and sociological problems of post war readjustments.<sup>2</sup> The program has a long history, dating back to the original Servicemen's Readjustment Act of 1944, Public Law 78-346.<sup>3</sup> The original loan provided the means for veterans to obtain favorable credit to allow them to shelter their family or begin a business or farming venture.<sup>4</sup>

Over time, the VA loan program expanded to support additional groups of veterans of the Korean war, post-Korean war, and later, Reservists, National Guard,

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<sup>2</sup> Legislative History of the VA Home Loan Guaranty Program, U.S. Department of Veteran Affairs, Accessed March 30, 2023, <https://www.benefits.va.gov/homeloans/documents/docs/history.pdf>.

<sup>3</sup> Ibid.

<sup>4</sup> Ibid.

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and eligible surviving spouses of veterans under specific circumstances.<sup>5</sup>

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<sup>5</sup> "VA home loan programs for surviving spouses," U.S. Department of Veteran Affairs, Accessed April 3, 2023, <https://www.va.gov/housing-assistance/home-loans/surviving-spouse/>.

# VA LOAN PROGRAM BENEFITS & DETAILS

The VA loan offers several benefits to eligible veterans, service members, and their families. The guarantee provided by the VA helps lenders offer more favorable terms and conditions to veterans, including lower interest rates and more flexible qualifying standards. This guarantee also serves as insurance for the lender, protecting them against loss if the borrower defaults on the loan.

VA loans are an excellent option for those looking to purchase a home. One of the most attractive benefits of a VA loan is that you can buy a home with no down payment. This can be especially beneficial for first-time homebuyers who won't need to save a large down payment.

Unlike other programs that require some form of private mortgage insurance (PMI) for down payments under 20%, PMI is not required on VA loans because the government guarantees a portion of the loan amount. This can save hundreds of dollars annually in additional fees associated with mortgages requiring PMI payments.

Additionally, VA loan credit requirements are more relaxed than those for conventional mortgages. This makes it easier for borrowers with less-than-perfect credit scores to qualify. VA loans often come with lower interest rates than conventional loans, saving you money over the life of your loan. And there are no prepayment penalties associated with the VA loan, so you can pay off your loan early without incurring any additional costs or fees from the lender.

# TYPES OF VA LOANS

The different types of VA loans include purchase loan, cash-out refinance, Interest Rate Reduction Refinance Loan (IRRRL), and VA renovation loan.

Purchase loans are the most common type of VA loan available. These loans can be used to buy a single-family home, townhouse, condo, or multifamily up to four units as a primary residence. With this loan option, there is no down payment required as long as the appraised value meets or exceeds the amount being borrowed from the lender; however, closing costs may still apply in some cases.

Cash-out refinance loans allow veterans who have existing mortgages on their homes to refinance them with cash-out options that provide access to equity built up over time in their properties for use towards other expenses such as debt consolidation or home improvement projects. IRRRLs, also known as a VA streamline refinance, are designed to help eligible borrowers lower their monthly mortgage payments by refinancing their existing VA loan.

The Native American Direct Loan (NADL) program is designed specifically for Native American veterans who want to buy, build, or improve homes on federal trust land.<sup>6</sup> The NADL also can be used as an effective way to refinance an existing loan with more favorable terms and rates than those offered by private lenders.

Another type of loan available through the VA is the renovation loan program. This program provides access to funds that can be used for repairs and improvements such as replacing roofing or windows, updating electrical systems, installing new heating/cooling systems, etc. This can be a great option if you're looking at purchasing an older property in need of some work but don't have enough cash set aside for renovations upfront.

Lastly, grants are available, such as the Specially Adapted Housing Grant Program (SAH), specifically tailored towards helping disabled veterans buy suitable housing that meets their unique needs due to their disabilities.<sup>7</sup> SAH grants can be used toward building specially adapted housing units on land already owned by qualified applicants where they

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<sup>6</sup> "Native American Direct Loan," U.S. Department of Veteran Affairs, Accessed April 4, 2023, <https://www.va.gov/housing-assistance/home-loans/loan-types/native-american-direct-loan/>.

<sup>7</sup> "Specially Adapted Housing Program," U.S. Department of Veteran Affairs, Accessed March 30, 2023, <https://www.benefits.va.gov/BENE-FITS/factsheets/SAHFactsheet.pdf>.

intend to live permanently after construction. Additionally, SAH grants may also be used toward remodeling existing homes so they become more accessible and comfortable.

# VA LOAN CERTIFICATE OF ELIGIBILITY

The VA loan Certificate of Eligibility (COE) is an important document for eligible members seeking a VA loan. The COE contains information such as the veteran's entitlement amount and whether they are exempt from the funding fee. This provides lenders proof of eligibility for a VA loan. Veterans can obtain their COE online through eBenefits, by mail using Form 26-1880, or through a VA-approved lender.

To qualify for a VA Loan, applicants must have served at least 90 days on active duty during wartime or 181 days during peacetime service. National Guard members and reservists are eligible for a VA loan if they have completed at least six years of honorable service, are mobilized for active duty service for a period of at least 90 days, or are discharged because of a service-connected disability.<sup>8</sup> Surviving

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<sup>8</sup> "Chapter 9 Reserve and National Guard," U.S. Department of Veteran Affairs, Accessed April 3, 2023, [https://www.va.gov/opa/publications/benefits\\_book/benefits\\_chap09.asp](https://www.va.gov/opa/publications/benefits_book/benefits_chap09.asp).

spouses may also meet eligibility requirements if their partner died while on active duty.

# VA LOAN ENTITLEMENT

The VA uses a complex formula to calculate the remaining VA loan entitlement.<sup>9</sup> This calculation is based on the area's housing cost and can vary from county to county. The basic entitlement for each veteran is currently set at \$36,000, although it can be higher in some cases. This amount represents the VA's guarantee to repay up to 25% of a loan amount of up to \$144,000 if the borrower defaults on their mortgage payments.

To calculate the remaining entitlement, the VA subtracts the amount of any previous VA loans that the eligible member has used from the basic entitlement. For example, if an eligible member used \$18,000 of their basic entitlement to purchase a home, they would have \$18,000 of remaining entitlement.

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<sup>9</sup> "Chapter 2. Veteran's Eligibility and Entitlement," U.S. Department of Veteran Affairs, Accessed March 30, 2023, [https://www.benefits.va.gov/warms/docs/admin26/m26-07/chapter\\_2\\_march\\_2012.pdf](https://www.benefits.va.gov/warms/docs/admin26/m26-07/chapter_2_march_2012.pdf).

However, the VA also considers the current loan limit for the county where the eligible member buys a home. If the veteran is buying a home in a high-cost area where the loan limit is \$800,000, for example, their remaining entitlement would be calculated differently than if they were purchasing a home in a lower-cost area where the loan limit is \$548,250.

# VA LOAN FUNDING FEE

The VA loan funding fee is a one-time fee charged by the VA to help offset the cost of administering the VA loan. This fee can vary depending on several factors, such as the loan type, the down payment size, and whether the borrower has used the VA loan before.<sup>10</sup>

The VA funding fee can be paid in several ways, including as an upfront payment at the time of closing, rolled into the loan amount, or paid by the seller. The funding fee can range from 0% to 3.6% of the loan amount, and it can be waived for certain veterans, such as those who receive disability compensation.

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<sup>10</sup> "VA funding fee and loan closing costs," U.S. Department of Veteran Affairs, Accessed March 30, 2023, <https://www.va.gov/housing-assistance/home-loans/funding-fee-and-closing-costs/>.

# VA LOAN LIMITS

The VA loan limits are determined by the Federal Housing Finance Agency (FHFA) and are announced annually. The limits are based on the conforming loan limit set by the FHFA for conventional mortgages, which is the maximum loan amount that Fannie Mae and Freddie Mac will purchase from lenders.

To find the current VA loan limits, you can visit the FHFA website or the VA website.<sup>11</sup> You can also contact a VA-approved lender who can provide you with the latest information on VA loan limits in your area. Remember that the VA loan limit may vary by county, so it's important to check the limits for the specific area where you want to purchase a home.

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<sup>11</sup> "VA home loan limits," U.S. Department of Veteran Affairs, Accessed April 5, 2023, <https://www.va.gov/housing-assistance/home-loans/loan-limits/>.

# VA LOAN MINIMUM PROPERTY REQUIREMENTS

When purchasing a home through the VA loan program, there are Minimum Property Requirements to ensure the property is suitable for habitation and meets all local building codes. These criteria help protect buyers from making costly mistakes on their purchase while also assuring quality housing options for those using a VA loan.

First, the home must be habitable. This means that it should have functioning bathrooms and kitchens and proper insulation so the buyer can move in immediately after closing without needing any major repairs or renovations. The home must meet local building codes to ensure safety standards are met as well as zoning requirements. Finally, a VA-assigned

appraiser determines the reasonable or market value of the property for VA loan guaranty purposes.<sup>12</sup>

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<sup>12</sup> "Appraisers/Staff Appraisal Reviewer," U.S. Department of Veteran Affairs, Accessed April 5, 2023, <https://www.benefits.va.gov/home-loans/appraiser.asp>.

# STEPS TO BUYING A HOME WITH A VA LOAN

If you're a qualifying veteran, service member, or eligible spouse, using a VA loan can be a great way to buy a home. Here are the general steps to buying a home with a VA loan.<sup>13</sup>

**1. Determine your eligibility.** Check if you are eligible for a VA loan by obtaining your Certificate of Eligibility (COE) from the VA.

**2. Get pre-approved.** Contact a VA-approved lender to get pre-approved for a VA loan. This will give you an idea of how much house you can afford and make you more competitive with other buyers when you make an offer.

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<sup>13</sup> "Buying a home with a VA-backed loan," U.S. Department of Veterans Affairs, Accessed March 30, 2023, <https://www.va.gov/housing-assistance/home-loans/home-buying-process/>.

**3. Find a home.** Work with a real estate agent to find a home that meets your needs and fits your budget. Your agent can help you navigate the home-buying process and negotiate on your behalf.

**4. Make an offer.** Once you find a home you want to buy, submit an offer to the seller. Your agent can help you with this process and ensure your offer includes any VA-specific requirements.

**5. Complete the loan application.** After your offer is accepted, complete a formal loan application with your VA-approved lender. They will need additional documents to verify your income, employment, and credit history.

**6. Get the home inspected.** Hire a professional home inspector to assess the home's condition and identify any issues that need to be addressed before closing.

**7. Close on the loan.** If the inspection and other contingencies are met, you'll move toward closing. At closing, you'll sign the paperwork, pay closing costs (if applicable), and receive the keys to your new home.

# USING YOUR BAH TO PAY YOUR MORTGAGE

The Basic Allowance for Housing (BAH) is a U.S. military allowance that provides housing compensation to eligible service members.<sup>14</sup> The BAH rate is determined by several factors, including the service member's rank, duty station location, and dependency status (i.e., spouse or children). BAH is intended to help service members cover the cost of housing when government quarters are not provided or when the service member chooses to live off base.

When you receive BAH for housing, you have help paying for some, if not all, of your mortgage using your VA loan benefit. **So why not use your BAH to pay for a home now?**

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<sup>14</sup> "Basic Allowance for Housing," Department of Defense, Accessed March 30, 2023, <https://militarypay.defense.gov/pay/allowances/bah.aspx>.

Some families believe you can only use your VA loan once. But based on your remaining VA loan benefit, you might be able to use your VA loan additional times simultaneously. And while some service members don't want to deal with the headache of having a property they no longer live in across the country, this is what property managers are for. They can help you manage your property while you're away. So when you think about it, your BAH pays for your mortgage while you're at an assignment, then a tenant pays your mortgage after you leave.

Real estate is a great way to build long-term financial wealth. With the right property, homeowners can receive monthly cash flow from the rental and potential increases in property value. Then, through the sale of the property or using a home equity line of credit, you can purchase additional homes, pay down bills, return to school, or start the business you've always wanted.

# INVESTMENT STRATEGY WITH VA LOANS

As a real estate agent, I've had the privilege of working with eligible VA loan families to purchase a home. I want to share a few thoughts and tips I've shared in my interactions.

**1. Enter with the exit in mind.** Understand that the home you buy is not your last home, unless it is. It'll become a rental property one day. You want to ensure it's in a good neighborhood, will take care of your family, is under your BAH to cover the mortgage, and will rent (cash flow) well later.

**2. Put your investor hat on, not your “home buyer” one.** You look at a property for what it can be, not what it is today. Sure, you want a structurally sound home, but if the paint color is not exactly what you want, paint it later. The home buyer will want the house in perfect condition before taking ownership. Investors will not. They may provide updates to the home that will add

value to the home later. Now, I'm also not saying you have to take a fixer-upper but approach the home with facts, not your emotions. Real estate investing is a numbers game.

**3. Ensure the house will rent well as a long-term rental.** Yes, many people may want to use their home as a short-term rental, but your primary strategy should be for the long term. If you buy a house for its short-term potential and things don't work out, you won't be able to pivot to a long-term strategy because that'll put you in the negative as well.

**4. Be willing to pivot if the market or your wallet speaks otherwise.** You may enter a market looking for a specific property. However, you may find that what you're looking for isn't readily available at your approved amount or meets your specifications. If that's the case, speak with your real estate agent and change strategies. They may have a few additional ideas based on your desires and their knowledge of the local area.

**5. Start small, but take action.** Often, families want a large multifamily or a home more expensive than their budget. But there's nothing wrong with purchasing a small starter home if that's what you can afford.

About four years ago, I wanted to buy a duplex but saw that the neighborhood and quality of homes were less than desirable. I quickly pivoted to a new home build that many would consider a small starter home. I used my VA loan to purchase it (for the second of three times). I lived in the home for almost two years before renting it. Today, I have a nice monthly net profit from the rent and benefit from increases in property value (equity).

So don't be afraid or embarrassed to start small. Each property is a win. It's one step closer to your ultimate goal.

# USING YOUR VA LOAN BENEFIT MORE THAN ONCE

As I stated earlier in the book, you can have more than one VA loan at the same time. I want to share a few ways this is possible, including how you can reuse your full entitlement:

**1. Sell or pay off the first home.** If you have sold or paid off the first home you purchased with a VA loan, you can use your full VA entitlement to buy another home.

**2. Use your remaining entitlement.** If you still have some of your VA entitlement left after purchasing your first home, you can use it to purchase an additional home. Your entitlement can be used for multiple VA loans simultaneously as long as they don't exceed the maximum entitlement amount, which varies depending on the county where the property is located.

I currently own three homes using my VA loan benefit. Two of the homes are rental properties. I rented them after meeting the primary residency requirement. I didn't have to refinance the properties.

Many people believe you must live in the home for 12 months, but the VA only states that you must move into the house within a "reasonable time," which they consider being 60 days.<sup>15</sup> However, there are some lenders that may place a 12-month residency stipulation on homeowners.

**3. Refinance your first home.** If you still own the home you purchased with a VA loan, you can refinance to a conventional loan. By doing so, you can free up some or all of your VA entitlement to use for another VA loan home purchase.

**4. Use a VA assumption loan.** If you have a VA loan on your home, you can transfer that loan to a qualified veteran or non-veteran buyer who can assume the loan. However, if the person is a non-VA loan eligible buyer, you'll receive that portion

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<sup>15</sup> "Chapter 3. The VA Loan and Guaranty, #5 Occupancy," U.S. Department of Veteran Affairs, Accessed March 30, 2023, [https://www.benefits.va.gov/WARMS/docs/admin26/m26-07/Chapter\\_3\\_The\\_VA\\_Loan\\_and\\_Guaranty.pdf](https://www.benefits.va.gov/WARMS/docs/admin26/m26-07/Chapter_3_The_VA_Loan_and_Guaranty.pdf).

of your VA loan entitlement once the original loan is paid off.

If you have questions about using your VA loan entitlement for additional purchases, contact a VA-approved lender to determine your eligibility and options.

# AUTHOR

I'm originally from Compton, CA, and joined the Air Force in 1995 after losing my college basketball scholarship. I've served in the Air Force for 28 years and hope to retire in early 2025. I'm married and have a large blended family. My oldest is 26, and the youngest is 18 months, with three children sprinkled in the middle. Never a dull moment in the house, for sure.

In addition to my military career, I'm a local church pastor, real estate agent, and book author. I've written 21 books (including this one) on spirituality, leadership, military professional development, and real estate investing.

My desire for real estate came as I watched my grandfather. He purchased two duplexes in the mid-1980s. When I was twelve, I came up with the idea that I wanted to own properties like my grandfather. I didn't know if he was successful or made money. Honestly, I didn't know what he did with the properties, but I knew I wanted to be like him.

He purchased the properties for \$46,000 and \$22,000. Today, they are worth almost \$700,000

each. This is a true testament to the power of real estate investing!

I've seen my grandfather and father provide for their children and grandchildren through real estate investing. And I want to help as many families as I can do the same.

Thank you for allowing me to share my story and passion for real estate. You can find me online via Facebook, Instagram, BiggerPockets, and my business website, **legacybuildingagent.com**. If you have any questions or want my advice, contact me at **hamp@legacybuildingagent.com**. I'll do my best to help. Finally, I wish you all the best in your investing journey.

