

Buying a Condo Using a VA Loan - What Veterans Need to Know

July 25, 2017 - If you are a veteran and you're preapproved for a VA loan, you may think that your housing search will be smooth as silk. But if you are purchasing a condominium, that VA loan may not work. That's because condominium complexes need to be approved by the VA before the loan will fund. While the VA does have a website that allows you to search for approved condominium complexes, the search results may not be of much use either. That's because they don't provide you some pretty basic information such as the address of the complex. But a little persistence and a few phone calls can work wonders. Here's what veterans need to know.

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VA loans can be a great benefit. In fact, when the loan is issued directly by VA Home Loan Centers, you may be able to purchase a home with nothing down. That doesn't mean that you don't have to have access to money though. You'll still need to come up with the initial deposit into escrow and there will be some other costs that you'll need to cover in the sales process. But if you live in a high cost of living area, you may be able to get a mortgage that actually costs you less money than your current rent, and get all of the benefits of home ownership in the process.

When purchasing a single family home, using a VA loan is a pretty straight forward process that isn't much different than any other type of loan. But when purchasing a condo, it's a different story entirely. Condo complexes need to be approved by the VA before they will lend.

The VA provides a website that is supposed to allow you to find out if the property you are interested in is already approved. If you when you get to the site, you just enter a state and a county, the search results should give you every single condo complex currently approved within the county you are interested in. But if you click on any of the links within the search results, you'll begin to see that this isn't of much help. For instance, a search of Los Angeles County in California gets you a list of 987 complexes already approved within the county. Once you get past the first 20 or so properties listed, you won't find an address in site. Instead, you'll see things like "Addison Place" or "Sherman Way." And if you click on those links, you'll be shown a tract number along with a city and ZIP Code. But no address.

This means that when you are house hunting, it is almost impossible to stick with condominium complexes that are already approved. But that may not be an issue if the seller and the condominium association are willing to work with you. That's because the VA has an approval process that you can use. It costs around \$1,000 but your lender may be willing to pick up that charge. It also adds 30 days to the purchase process, but if the seller is willing it may be a good route for you to go as a buyer.

But as I found out, simply because the condominium complex you want to purchase doesn't appear on the VA list, that doesn't mean it isn't already approved. One of my clients has decided on a particular condo that he wants to purchase. The homeowner's association and the building's management company both told me that the property isn't approved by the VA. But after doing a search on the VA website, I found a condo association that had a similar name. So I called my buyer's contact at the VA. And that led me from one person to another, until I actually had someone who went through the VA's records and cross matched them to the public records. Turns out that the complex was approved ten years ago but that nobody who was on the condo board back then is still there. Neither the management company nor the HOA were aware of this.

Based on my conversations with people at the VA, this situation doesn't appear to be unusual. A little persistence could have some big returns. The seller of the condo my client is purchasing had a previous escrow using a VA loan cancel because they thought that the property wasn't approved. With a little luck, this transaction will go smoothly. The VA furnished my client with a letter explaining the situation and saying that the sale could close in as little as 32 days.

byJim Malmberg

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